



Foreign
Broadcast
Information
Service

FBIS-USR-94-068

27 June 1994



CENTRAL EURASIA



FBIS Report: Central Eurasia

FBIS-USR-94-068

CONTENTS

27 June 1994

RUSSIA

POLITICAL AFFAIRS

Muscovites Polled on Politicians' Popularity	[OBSHCAYA GAZETA 3 Jun]	1
Zhirinovskiy Expects Fall Economic Crisis	[ROSSIYA 1-7 Jun]	2
Demrossiya Still Supports Yeltsin	[ROSSIYA 1-7 Jun]	3
Zhirinovskiy Seen as Imposter	[KOMSOMOLSKAYA PRAVDA 1 Jun]	5
LDPR Criticizes Opposition	[SOKOL ZHIRINOVSKOGO 31 Mar]	7
LDPR Sees Plan To 'Liquidate' Russia	[PRAVDA ZHIRINOVSKOGO 4 Apr]	8
LDPR Reacts to Yeltsin Message	[PRAVDA ZHIRINOVSKOGO 4 Apr]	9
LDPR Faction on Regions	[PRAVDA ZHIRINOVSKOGO 4 Apr]	10
Zhirinovskiy, Rybkin Clash	[PRAVDA ZHIRINOVSKOGO 4 May]	10
LDPR Refutes Yeltsin Charges	[PRAVDA ZHIRINOVSKOGO 30 May]	12
Zhirinovskiy on 'Strong' Leader	[PRAVDA ZHIRINOVSKOGO 30 May]	12
LDPR Attacks Limonov	[SOKOL ZHIRINOVSKOGO 31 Mar]	14
Zhirinovskiy on 'Special Services'	[SOKOL ZHIRINOVSKOGO 31 Mar]	15
Lysenko Party, Program Viewed	[MOSCOW NEWS 3-9 Jun]	16
State-Legal Directorate Chief on Draft Criminal Code	[OBSHCAYA GAZETA 10 Jun]	18

REGIONAL AFFAIRS

Tatarstan Soviet Chairman Visits Turkey	[IZVESTIYA TATARSTANA 17 Jun]	20
Tatar Delegation Continues Turkish Visit	[IZVESTIYA TATARSTANA 18 Jun]	21
Justice Minister on Gangsterism Edict	[IZVESTIYA TATARSTANA 18 Jun]	22
Chuvashia President Interviewed on Current Objectives	[OBSHCAYA GAZETA 3 Jun]	23
Galazov, Aushev Ponder North Caucasus	[LITERATURNAYA GAZETA 8 Jun]	26
Kabardino-Balkaria, Krasnodar Sign Cooperation Treaty	[KABARDINO-BALKARSKAYA PRAVDA 25 May]	32
Opposition Chiefs Visit Nizhniy Novgorod	[SEGODNYA 3 Jun]	33
Tyumen Foreign Trade Turnover Decreases	[SEGODNYA 3 Jun]	34
Novosibirsk Unemployment Assessed	[SOVETSKAYA SIBIR 17 Jun]	34
Moscow Coverage of Regional Economy Viewed	[SOVETSKAYA SIBIR 17 Jun]	35
Moscow City Report on Socioeconomic Situation, Pankov Commentary	[KURANTY 25 May]	36
New Moscow Oblast Procurator General Appointed	[MOSKOVSKIY KOMSOMOLET 19 May]	40
New Income Tax Declaration Form in Moscow City Created	[NEZAVISIMAYA GAZETA 2 Jun]	40
Petersburg Mayor Sobchak Interviewed	[MOSKOVSKIYE NOVOSTI 29 May-5 Jun]	41
Vyborg Free Economic Zone Status Assessed	[NEVSKOYE VREMYA 16 Jun]	43
St Petersburg Jobs Fair Attracts Thousands	[NEVSKOYE VREMYA 15 Jun]	45
St Petersburg Seeking Foreign Investors	[NEVSKOYE VREMYA 15 Jun]	46
Leningrad Oblast Government Criticized	[SANKT-PETERBURGSKIYE VEDOMOSTI 15 Jun]	46
Petersburg Youth Drug Problem Assessed	[SANKT-PETERBURGSKIYE VEDOMOSTI 17 Jun]	47
Crime Edict Proving Useful in Petersburg	[SMENA 16 Jun]	48
Slovakia, St Petersburg Establish Ties	[NEVSKOYE VREMYA 17 Jun]	48
Kaliningrad Authorities Push for Law on Special Status	[SEGODNYA 28 May]	48

INTERNATIONAL AFFAIRS

Tax System Seen as Obstacle to Foreign Investment	[EKONOMIKA I ZHIZN Apr]	50
U.S. Business Delegation Visits Far East	[KOMMERSANT-DAILY 1 Jun]	53
Russia, Czech Republic Agree on Debt Repayment Strategy	[NEZAVISIMAYA GAZETA 2 Jun]	54
French Opposition to Russian Uranium Exports Hit	[KOMMERSANT 31 May]	54
EU Official Comments on Trade With Russia	[KOMMERSANT 31 May]	58
Strategic Studies Institute Director Interviewed	[NEZAVISIMAYA GAZETA 2 Jun]	59

CENTRAL ASIA

KAZAKHSTAN

Nazarbayev's 9 Jun Supreme Council Address	[KAZAKHSTANSKAYA PRAVDA 11 Jun]	63
Nazarbayev Message on Economic Crisis	[KAZAKHSTANSKAYA PRAVDA 11 Jun]	72
Deputies' Reaction to Nazarbayev Program	[PANORAMA 18 Jun]	87
Ministers, Oblast Heads Appointed	[KAZAKHSTANSKAYA PRAVDA 18 Jun]	88
Military-Industrial Complex Course Charted	[KAZAKHSTANSKAYA PRAVDA 18 Jun]	90
Officials Note Security Committee Birthday	[KAZAKHSTANSKAYA PRAVDA 18 Jun]	91
Government's Economic Policies Scored	[ABV 13 Jun]	91
Yesenberlin on Background in Business	[EKSPRESS-K 17 Jun]	94
New Industry in Karaganda Profiled	[VESTNIK KAZAKHSTANA 15 Jun]	98
Zhayrem Mining Privatization Plan Debated	[KAZAKHSTANSKAYA PRAVDA 14 Jun]	98

TAJIKISTAN

Effect of Monetary Control on Economy, Unemployment Noted	[ROSSIYA 8-14 Jun]	99
---	--------------------	----

UZBEKISTAN

Intergovernmental Council Views Economic Reform Progress	[PRAVDA VOSTOKA 31 May]	101
Law on Taxation of Securities Transactions		104
Text of Law	[PRAVDA VOSTOKA 28 May]	104
Decree on Implementation	[PRAVDA VOSTOKA 28 May]	104
Law on Citizens' Appeals		105
Text of Law	[PRAVDA VOSTOKA 28 May]	105
Decree on Implementation	[PRAVDA VOSTOKA 28 May]	108
Law on Guarantee of Citizens' Voter Rights	[PRAVDA VOSTOKA 26 May]	108

POLITICAL AFFAIRS

Muscovites Polled on Politicians' Popularity

944F0809A Moscow OBSHCHAYA GAZETA
in Russian No 22, 3 Jun 94 p 7

[Article by Vsevolod Arsenyev: "Who Are You, the Rulers of Men's Minds?"]

[Text] Last week our service conducted a routine survey of 2,000 Moscow residents for the purpose of finding out how well known a number of the popular figures on the Russian political scene were, and the attitude toward them: "rather positive" (+), "rather negative" (-), or "mixed, indefinite" (?). The fourth column of the table represents the number of people who declined to answer. Here is how the responses were distributed (in percent of the number surveyed, data rounded off to the nearest 0.5 percent).

Despite its seeming clarity, the table contains more questions than answers. It is understandable that the last column—the percentage of people who refused to give an answer—also includes those who are absolutely indifferent to politics, who do not know and do not remember the named personages (especially since some of them, as for example Yu. Skokov, tend to follow Pasternak's instruction: "To be famous is bad form; It is not this which elevates a person upward...."), and those who are angry and do not want to talk frankly with anyone on this subject.

The third column unites people who, either as in the fourth column do not know the names of the figures, or who have not formulated an attitude about them.

These are the people who represent the real reserve for the politicians in their continued struggle for the sympathies of the voters.

The exposed part of the iceberg of political preferences and antipathies is represented in the first two columns. However, we must recognize the conditionality of these ratings as well, since there are quite different criteria by which the respondents evaluate the president of the country and the mayor, the prime minister, and the publicist (this is why, for example, Yavlinskiy, who has the greatest difference in "shots made and missed," should more correctly be compared with Zhirinovskiy than with Yeltsin), the people currently or formerly in power, and those who for now have manifested themselves only in the role of critic, theoretician, etc. For example, the rating of Chubays quite accurately reflects the attitude of Moscow residents toward voucher privatization (10 percent believe that it is bringing real benefit and instilling hope, while 43 percent believe that only the dealers and swindlers have been the winners from voucher privatization). At the same time, the rating of Irina Khakamada is sooner an aesthetic than a political evaluation, while 5 out of the 7.5 percent of "black marks" which she was nevertheless given were the votes of people who hate all politicians as a whole.

And only one thing appears without a doubt. Judging by the Moscow surveys, neither Rutskoy nor Zyuganov nor any of the other strictly anti-Yeltsin opposition has any chance to come to power by democratic, lawful means in the foreseeable future. If they nevertheless believe in their victory, then they are either suffering from a loss of sense of reality or they are counting on the marginally unfavorable regions, which are capable of becoming the detonator of all-Russian unrest, and are counting on other, nondemocratic, means of ascending Olympus.

	+	-	?	
G. Burbulis	4.5	25.5	34.0	36.0
Ye. Gaydar	23.0	25.5	22.0	24.5
M. Gorbachev	9.5	33.0	26.5	31.0
P. Grachev	11.5	17.5	36.0	35.0
B. Yeltsin	30.0	25.5	21.5	23.0
V. Zhirinovskiy	7.5	48.0	19.5	25.0
G. Zyuganov	7.0	28.0	31.5	33.5
A. Kozyrev	22.5	12.5	30.5	34.5
Yu. Luzhkov	35.5	14.5	22.5	27.5
G. Popov	11.5	24.0	30.5	34.0
A. Rutskoy	11.0	34.5	25.5	29.0
I. Rybkin	10.0	10.5	44.0	35.5
Yu. Skokov	3.0	9.5	50.0	37.5
A. Sobchak	19.0	19.5	27.5	35.0
N. Travkin	15.5	14.0	36.5	34.0

(Continued)	+	-	?	
I. Khakamada	10.0	7.5	46.0	36.5
S. Shakhrai	18.0	16.0	33.5	32.5
V. Shumeyko	13.5	18.5	35.0	33.0
V. Chernomyrdin	20.5	18.0	31.0	30.5
A. Chubays	11.0	23.0	31.5	34.5
G. Yavlinskiy	28.0	9.0	31.5	31.5

Zhirinovskiy Expects Fall Economic Crisis

944F0800A Moscow ROSSIYA in Russian
No 21, 1-7 Jun 94 p 3

[Article by Pavel Yevdokimov and Lidiya Timofeyeva:
"The Iron Jester, the Clown Chancellor..."]

[Text] If the authors of this article are mistaken in their assumptions, if they are wrong in their opinion of Mr. Zhirinovskiy, we apologize in advance. Besides, he promised that he would not take revenge against the press when he becomes our president.

Gorbachev and his associates were fully aware that repealing Article 6 of the Constitution would open the lock and break the dam. To avoid this, they decided to form several parties that would be completely under their influence but would play the role of mass political organizations.

The formation of the LDP was marked by an item in PRAVDA—an extraordinary event for that time. Anatoliy Lukyanov was kind to the neophyte from the liberal democratic camp and extended an invitation for teamwork in the USSR Supreme Soviet.

The constant scrutiny of the officials aroused suspicion and rumors, and that is when the democrats made the mistake of trying to discredit Zhirinovskiy by proving that he had contacts with the KGB. These gentlemen do not sense the changes in the Russian society. Rumors of affiliation with the special services no longer arouse negative emotions. On the contrary, it was no coincidence that the Ames affair sparked a surge of pride in the performance of our intelligence community, which had managed to contract an agent of that caliber: Look what we did!

Furthermore, the experts from Old Square and other squares who "briefed" Zhirinovskiy were probably certain that he would carry out their assignments (he had steadied Yanayev's trembling hands at the time of the GKChP [State Committee for the State of Emergency] and so forth). In line with his usual tactics, he was in no hurry to dissuade them, but he was actually using all of them for his own purposes, and—we must admit—he did this quite well.

The people who decided to scare the West with the threat of "Russian fascism" by sending Zhirinovskiy to Strassburg should give this some thought. What did they want? Additional credits and humanitarian aid? Not at all....

Through their efforts, pictures of Zhirinovskiy flinging some kind of vegetation made the rounds of the world's leading newspapers.

The Russian press has been equally diligent in exposing "Russian fascism." It has chosen a strange way of doing this, however. Publications calling themselves democratic are savoring the details of Zhirinovskiy's "legal" experience. Regardless of his character, this is distasteful.

Now that he is famous, Zhirinovskiy is proposing his own economic recipes.

What does he propose? Control over the state sector is to be restored after its exact boundaries have been defined. A state monopoly on vodka, sugar, tobacco, and wool will provide the government with the permanent sources of income it needs for the resolution of social problems. The private sector should be given a chance to manage itself, with no possibility of administrative interference. A system of subsidies and tax privileges should be set up to secure the expanded reproduction of commodities capable of competing in world markets (weapons, the products of the oil and gas, petrochemical, and aerospace industries, and others). Financing should be the job of the leading commercial banks wishing to handle budget resources.

Anyone who thinks these proposals sound new must have spent the last few years in a state of lethargic slumber. The "Ryzhkov brand" of reform was defended by Yuriy Skokov, who argued the need for government regulation during the transition to the market. Around two years ago Andrey Kokoshin came up with the "locomotive" theory, presupposing support for priority production units in the defense complex. Similar proposals were made by Mikhail Maley. Yuriy Luzhkov has been defending the idea of financial-industrial groups for years. As for the decentralization of banking, this is always being suggested by Sergey Yegorov and the Association of Russian Banks.

Zhirinovskiy is simply skilled at repeating the proposals of others, and at flattering the president. He is only doing what Lukyanov once did, as well as others who once had power but were foolish enough to lose it. "Yeltsin's policies are not based on Freeman's methods, but on intuition," Zhirinovskiy wrote in IZVESTIYA. "That is why he is not swayed by arguments.... He and I are mystics."

Zhirinovskiy knows how to wait. He realizes that the present government cannot stabilize the economy. He is waiting for fall, and when the voracious economic crisis is through with the ineffective government, Zhirinovskiy, playing the role of "iron chancellor," will offer his services to the deserted president for the restoration of order.

Will his rivals rise up against him? Probably. Is he a danger to them? Unquestionably. During the televised debates by the presidential candidates in June 1991, Boris Yeltsin did not take the risk of confronting him directly, and the leaders of the party election blocs who did dare to do this in November-December 1993 had a distinctly pallid appearance.

Even if we assume that the "clown mask" is only a disguise, we have to say that it is a fortunate choice. He is the court jester: The people laugh, the tsar is amused and occasionally gives him a slap in the face, but the jester says what he wants. Once in a while, someone stops laughing and starts wondering—and with good reason.

After all, Zhirinovskiy's damned and double-damned book, "The Last Assault on the South," was treated as a joke by the establishment, but it was actually an attempt to announce a new direction in Russian geopolitics: North-South instead of East-West. At the latest, 5th Congress of the LDPR, where he won the unprecedented right to occupy the party throne until 2004, he expressed his views in the most definite terms: "North America can have South America; Europe can continue to be the 'caretaker' of Africa; Japan and China can 'go fishing around the Philippines and Australia,' and 'Russia can have the South,' because the Arctic Ocean north of Russia is quiet, the Pacific Ocean to the east is also quiet, we can come to an agreement with the countries to the west, but the south could be a problem. That is the location of our natural sales markets and our most loyal allies against American expansion." Any arguments would be futile.... There is one troubling aspect: How does he plan to force the south to turn around and face the north? By kicking it into place or by giving it some kind of incentive? Depending on the answer, we might say that he is straining for power.

Moving on, his famous slogan—"Russia's borders should be the borders of the Russian empire"—might sound ridiculous at first. How could anyone pick up the broken pieces of the border of the Soviet Union? But after all, no one ever rescinded the 1975 Helsinki agreement, which says that the borders of countries are immutable. Then there was this clownish statement: "I have a weakness for border posts. I want them to stay in place forever." This ingenious and defiant remark is based either on the maniacal expectation of a third world war or on a realistic political assessment of the economic needs and common historical destiny of the former republics of the USSR.

His third thesis is the crowning touch: Russia is a polyethnic state, and the separation of its territory into autonomous national entities is wrong. That is why the province is the only possible separate administrative entity, like the states in North America.

Why are all of Zhirinovskiy's statements dangerous and why would it be better to seek a nominee elsewhere? Because the problems he addresses are truly important

and burning issues, and he is addressing them at the right time, but his methods of solving them are frequently adventuristic and could be disastrous for Russia.

So Mr. Nixon was right when he had his brief meetings with the "pretenders to the Russian throne" and said this: "Mr. Zhirinovskiy is a ruthless and experienced demagogue.... He does not have the right frame of mind and convictions to be the leader of a great nation.... Mr. Zhirinovskiy has deliberately chosen the eccentric image of the 'saintly fool'.... Throughout the centuries there have been fools in the opposition, and they have evaded brutal treatment precisely because of their idiosyncracies. Although the Russians have always been tolerant of these people, they have never chosen them as their leaders, which is something Mr. Zhirinovskiy will learn very quickly when he enters the race for the presidency."

We are not certain of the accuracy of this prediction, if only because anti-American feelings are becoming increasingly pervasive in Russia, and the citizens are disillusioned with today's democrats. This is all happening at just the right time for Vladimir Zhirinovskiy, who compared himself to a combination of Nakhimov, Suvorov, Kutuzov, and Zhukov in terms of his ambitions and accomplishments in the last book of his three-volume work on "Russia's Destiny." And who said that Zhirinovskiy would be elected? There are other ways of rising to power. What now, Vladimir Adolfovich?

[Box]

Vladimir Zhirinovskiy's career is reminiscent of the triumphal march of horseradish through the democratic garden. All it takes is one obtuse farmer to plant this crop in a secluded corner, and in time the invasive roots will choke out all of the useful plants. While the other crops are being pampered, requiring weeding, watering, credits, privileges, and freedom, the horseradish spreads like wildfire.

Horseradish has an obvious advantage over the team-spirited turnip: Instead of engaging in protracted contention and deliberation, the horseradish has a ready solution. This is always its forte. That is why Ponomarev sees Zhirinovskiy as a threat, but Zhirinovskiy is not afraid of Ponomarev. "I may be a buffoon," the monkey said to the crocodile, "but I get my 30 dollars a day from all of you...."

Demrossiya Still Supports Yeltsin

944F0800B Moscow ROSSIYA in Russian
No 21, 1-7 Jun 94 p 3

[Interview with Lev Ponomarev, cochairman of the Democratic Russia movement, by Mikhail Pavlov; date and place not given: "We Want To Be the People's Organization Again"]

[Text] In the last issue of our newspaper, we reported that the split in the Democratic Russia movement would probably lead to the emergence of a new party. In the

interview we are publishing today, the cochairman of Democratic Russia, Lev Ponomarev, explains what the new movement will represent.

[Pavlov] Internal processes in Democratic Russia resemble the "domino effect." As the cochairman of the movement, do you agree with the skeptical statements about its present and future?

[Ponomarev] Democratic Russia was a party that backed the government from the very beginning. We supported B. Yeltsin even though he was not our leader or even one of our officials. Remember when he said: "I do not belong to Democratic Russia or the CPSU"? He always kept his distance, and I feel that he was right to do this, although many wanted to see him at the head of the movement. But, then he would have had to stand with his feet in separate camps: one in the CPSU, where he was trusted, and the other in Democratic Russia, where he was supported. In this way, he could have been the bridge between the old and the new. It is possible that this unique individual was the reason we evaded civil war at that time.

Later we supported Ye. Gaydar because this was the first government formed under our influence. We were on his side right up to the time when B. Yeltsin chose V. Chernomyrdin.

Democratic Russia helped in forming the Russia's Choice bloc, in the belief that the structure capable of winning the election would have to be a symbiosis of the political elite and a low-level organization. Then the Russia's Choice movement came into being, and this effectively led to the parallel nomination of candidates by three different structures—Democratic Russia, the Russia's Choice bloc, and the Russia's Choice movement. You know the result, but the main thing is that we lost the image of a people's organization, which had been built from the bottom up, without any kind of instructions from above. This is the fault of the movement's leadership—my own fault and the fault of Ye. Gaydar—which, incidentally, is something he has acknowledged. The attempt at unification failed, and now we are undergoing a process of organizational division. This does not mean that we will become part of the political opposition. After all, I agree with most of Ye. Gaydar's economic judgments.

[Pavlov] What are the reasons for the disagreements and discord in the Democratic Russia leadership?

[Ponomarev] One of the reasons was connected with the elections—with the careless work of the group in the Russia's Choice bloc, as a result of which many members of Democratic Russia were left out of the running for deputy seats. We had to sacrifice our own interests for the sake of other candidates, and these feelings were therefore completely understandable.

Another reason is that although Democratic Russia continued to be known as a party backing the government, it was not willing to share the responsibility for

this government, because our leadership includes bureaucrats and members of the former party elite, and this is particularly noticeable on the regional level. That is why our individual members and most of our regional structures are usually in the opposition on the local level.

We want to disengage ourselves so that we can be the people's organization again and defend the interests of different segments of the population.

[Pavlov] Will you form a new party?

[Ponomarev] Yes. I hope we can hold our congress soon. We will announce our political slogans, and the main one will be an appeal for a civic society in Russia. I personally prefer a collective party leadership—the kind we had in our movement.

[Pavlov] Some of your statements suggest that Democratic Russia is moving away from the president. Is that true? What kind of relationship do you have with the government?

[Ponomarev] We still support the president. We will do this as long as B. Yeltsin continues to serve as the guarantor of social, economic, and political reforms. In our opinion, this is precisely what he is today. We would probably support Yeltsin as he is today in the 1996 election as well, if he chooses to run.

Our relationship with the government, however, is more ambivalent. We have made some derogatory statements about its performance. The policy of this government is best described as static. It is holding down the rate of inflation, but this cannot be done constantly without producing certain economic results. This is extremely dangerous, because it is engendering social tension. We need to strive for new levels and pursue an active economic policy. In general, we will be in a position of constructive opposition to the official bureaucracy that is now dominant in virtually all parts of Russia.

[Pavlov] You were against the amnesty, and you did not sign the treaty on accord either. Has your stance changed?

[Ponomarev] My own point of view has not changed. Incidentally, it is not that radical. Polls indicated that the majority of the population did not support the amnesty. The amnesty was a high-level intrigue, and the details are still vague. The issue of accord was also confined to the top level. It was invented by the political elite. It exhibited no inner evolution and was never actually the topic of public discussion, and it therefore cannot be regarded as the consensus of an already divided society. The Democratic Russia Coordinating Council decided not to support the document if they gave V. Zhirinovskiy a chance to sign it. After all, it had been literally just a few days since the publication of his political declaration in IZVESTIYA, setting forth everything he had always

advocated: acts of violence and the popularization of war. Was it logical, therefore, to allow him to sign the document? Of course not. I told S. Filatov that this would legitimize political extremism, but.... Time will tell exactly what kind of agreement this is and whether it will play a positive role or become another of V. Zhirinovskiy's springboards to power.

Zhirinovskiy Seen as Imposter

944F0800C Moscow KOMSOMOLSKAYA PRAVDA
in Russian 1 Jun 94 p 2

[Excerpt from book *Limonov vs. Zhirinovskiy*, Konets Veka Publishing House: "Eduard Limonov: 'Zhirinovskiy, You Are an Imposter, a Second-Hand Dealer, and a Huckster'"]

[Text] There is so much discord among the recent allies. Writer Eduard Limonov, who was once even a member of the shadow cabinet of LDPR [Liberal Democratic Party of Russia] leader Vladimir Zhirinovskiy, has broken all ties with Vladimir Volfovich. Although the KOMSOMOLSKAYA PRAVDA editors do not support the political ambitions of either man, they are nevertheless offering the reader this look at "The Blatant Philistine," a chapter from the book *Limonov vs. Zhirinovskiy*, which has just been published by Konets Veka. The writer is absolutely ruthless in his description of his recent associate. He starts by tearing his biography to pieces.

The back cover of *The Last Assault on the South* says that Zhirinovskiy "was born (...) into a family of intellectuals. He graduated from the Asia and Africa Institute of Moscow State University imeni M.V. Lomonosov and the Moscow State University Law School. He is an expert on Central Asian, Transcaucasian, and Middle Eastern affairs," and so on and so forth. In the book he makes constant references to his supposedly indisputable superiority to the "bears from Stavropol and the Urals." "This calls for a different type of intellect. 'This calls for a different way of thinking'—Gorbachev was right, but the situation did not call for the thinking of the son of a kolkhoz farmer and the grandson of a Stavropol kolkhoz chairman. It required a man with a cosmic way of thinking, or at least a planetary outlook," he gushes, referring to himself. In another place, on page 53, we read this: "Even then, when I was a completely barefoot boy, thoughts of something great raced through my mind." Further on he refers to himself again with positively indecent immodesty and self-admiration: "An educated man, with two university degrees and a knowledge of European languages—how did he get here, this remnant of the flourishing Russia of the last century, (...) it is understandable that I have occupied a special niche on Russia's political horizon in recent years."

This is the style of Khlestakov and Ostap Bender, of an uneducated, uncouth, and unintelligent man. How is it possible to occupy a niche on the horizon, Vladimir Volfovich? Why do you say you were a completely barefoot boy? Is anyone ever partially barefoot? You

were even ungrammatical in your praise of your alleged academic accomplishments. The result is illiterate boasting. It is not your style I wish to discuss, however—it would even be sinful to criticize you for this, because you are outrageously illiterate—but the implications of your statements.

Why does Zhirinovskiy believe that he was born into a family of intellectuals? His father—a staff legal adviser—died the year he was born and was only married to his mother for a year. After this his stepfather moved in—a communications tekhnikum student (Zhirinovskiy writes that he was "a stupid young man")—and stayed with the family for 12 years. His mother worked in a cafeteria. His father—the staff legal adviser—did not have the ability or the time to make the family intellectual or nonintellectual. When would he have done this? It is quite possible that Zhirinovskiy's family, his brothers and sisters, are wonderful people. Why not? But, Zhirinovskiy has no right to call them a family of intellectuals. That is a lie.

A list of universities, especially the correspondence law school, is no proof at all. Gorbachev also has two degrees, and he is more polite and more open-minded than Zhirinovskiy, but both men are obvious nonintellectuals. They are the average man in the street. There are so many university degrees in Russia; We are rolling in degrees, but the level of education is low, to put it mildly. I fail to see the advantage the son of a staff legal adviser has over the grandson of a kolkhoz chairman. I also fail to see, and could not understand, why Zhirinovskiy calls himself an expert on Central Asia, the Transcaucasus, and the Middle East. Is it just because he was born in Almaty and spent one day in a Turkish prison? Vladimir Volfovich has not written any books about Central Asia and the Middle East and has not defended any scientific papers on these topics. What made him an expert? You are no expert at all, Vladimir Volfovich. That is a lie. If I turn my head, I can see Peter Mansfield's book *The Arabs* in my bookcase. This author is an expert on the Middle East because he spent more than 20 years in the Arab countries as a BBC radio correspondent. Zhirinovskiy spent 20 years in his apartment on the outskirts of Moscow.

Zhirinovskiy is not an expert on anything but self-advertisement. He has an indisputable talent for that, and I do not deny this talent.

Zhirinovskiy's displeasure with his biography by Sergey Plekhanov (one of the former advisers of the LDPR leader—Ed.) is understandable. It says that Zhirinovskiy was ineligible for a travel visa, but Zhirinovskiy puts himself in the category of those who "traveled abroad before taking power." This is a completely groundless statement. Aside from a brief assignment as an interpreter on the construction site of the Iskenderun Metallurgical Combine in Turkey in 1969, Zhirinovskiy spent a month and a half in Hungary in 1966 as a member of a student construction brigade. And that is all. His knowledge of foreign lands was not updated until 20

years later, when he was already the chairman of the party. His recent egotistical tours—I know this from experience, because I was the one who made the arrangements for his first, and thus far only, trip to France—gave him no time to learn anything about the countries he visited. In essence, he does not go there to acquaint himself with the country, with Germany or France or Austria, but to acquaint himself with the country's news media. The vain peacock seeks television and newspaper coverage. He knows best, but I suspect that vanity is his main motive, and politics are only a pretext for the satisfaction of this passion.

Although he calls himself a man with a cosmic way of thinking, or at least a planetary outlook, Zhirinovskiy is actually a Soviet man with very little experience. That is why his political theses (call them deductions if you must) are usually based on a single experience. Here are just a few specific examples. He says on page 114 of his book: "...Knowing that your son will not be killed or crippled on the street by a gang of local bullies, or in the army, or on a business trip, or while he is on vacation somewhere, especially in the south..." I know, and people who were close to Zhirinovskiy in 1992 know, that he is referring to one specific incident. Andrey Arkhipov was going to a dance hall in Mineralnyye Vody while he was vacationing there and was beaten up by a group of local bullies. Arkhipov's mother was understandably upset, and Arkhipov was humiliated, like any other man who has been beaten, by this affront to his masculinity. He was affected by this experience for a long time, during which he related the incident to all of us and to Zhirinovskiy numerous times. Zhirinovskiy took this particular case and turned it into a generalization and a political fact. This is how the mind of the average man in the street works. "In Brezhnev's day, there were two kinds of boots and three kinds of sausage..." That is how the mind of a philistine, and of Zhirinovskiy, works, because he is a philistine, and not a politician.

Although he calls himself an expert on foreign affairs, Zhirinovskiy acknowledges his inadequacies. That is why he has a boxing match with an imaginary critic on many pages of his book. It is the imaginary Limonov, who says to him with a skeptical sneer: "Zhirinovskiy, YOU ARE AN IMPOSTER [as published], you are a philistine in politics, you have no knowledge of the world, and you have no foreign experience. Just think, Lenin lived in all of the European countries for 70 years, and even I lived in the United States for six years and in France for 20 and spent months in Italy, England, Yugoslavia, and other places. But you, Zhirinovskiy, did not go any farther than Novyye Chermushki! Now you are racing around on your two-day trips, unfurling your peacock's tail!" Although he admits his inadequacies, he also disputes the right of anyone but Zhirinovskiy to go into politics.

There is something pathetically meticulous about Zhirinovskiy's attempts to prove that he has experience. Why does he do this? He could have said nothing at all. But

no, his character—the character of a second-hand dealer and huckster—forces him to praise his merchandise: himself. In the same way that the merchants in the Parisian markets shout "Elle est belle! Elle est belle!" (She is pretty! She is pretty!) in praise of an ordinary tomato, which is a feminine noun in the French language, Zhirinovskiy descends into verbal hysteria: "My work in the army was also connected with foreign affairs, and I studied the Middle East at the same time that I was studying the West and other regions. My later work also gave me a chance to communicate with foreigners. Even when I worked for the Mir Publishing House for a few years before I got into national politics, there were foreigners there and I had to conclude agreements with foreign firms." A foreigner who reads this might believe it, but a person with Soviet experience who reads the line about the army and foreign affairs will not stop laughing for a long time. He was involved in foreign affairs in the army! A lieutenant, a pencil-pusher and interpreter, who was in uniform only because he could not find a good job after he left the institute, was in charge of foreign affairs in the army and was studying the Middle East and the West! (Of course, he could have studied them on the map.) His further ramblings are even more idiotic: "I was lucky," Zhirinovskiy writes. "I traveled all over the country, from Izmail to Chukotka. I flew on my vacations. I have been acquainted with our whole country for a long time. There is nothing I do not know about the nationalities living in different regions of our country and about their religions, lifestyles, problems, and so forth. I know about all of this, and I have seen all of this. I frequently spoke with people on trains and struck up conversations on airplanes. Everything accumulated in these 45 years could be called a lifetime of experience and worldly wisdom, and this is not just an idle boast." Judging by Zhirinovskiy's criteria, a 45-year-old vagrant (talk about traveling the country and having conversations on trains!) would be the best candidate for the Russian presidency.

...In my opinion, Zhirinovskiy was a petty Soviet functionary. He uses the language of the average man in the street, and mispronounces the same words; not because he has chosen this style of rhetoric, but because he cannot speak in any other way. Incidentally, as far as Zhirinovskiy's "verbal torrents" are concerned, it was Zhirinovskiy that introduced the language of the philistine into politics. After years of stilted party rhetoric, he started talking about the average man in the street in his own vocabulary, and the man in the street appreciated this. At no time does Zhirinovskiy take credit for this common dialect, but that is precisely where his strength lies.

Zhirinovskiy knows that advertising is the engine of commerce. If the "Zhirinovskiy and Russia Corporation" wants to rise to power, the firm will have to advertise—everywhere, and as much as possible. When his resources were limited, Zhirinovskiy took his party stall, his party kiosk, to the sidewalks of Ulitsa Manezhnaya or to Gorkiy Park, and when he got all that money

from the young bankers, he launched a massive trade operation on television. Now he is in an even better position: He is selling himself in the State Duma. Imagine that!

Andrey Vyacheslavovich Arkhipov, Zhirinovskiy's press attache and the minister of information in his shadow cabinet, came to Zhirinovskiy from ARGUMENTY I FAKTY. Vladimir Volfovich is indebted to him for the period when the attention of the national population was riveted on Zhirinovskiy's personality in 1991 and 1992. Even when nothing at all was happening, Arkhipov kept reminding Russia of Zhirinovskiy. He planted dozens of news items and invented incidents in the news media. Using his old and new contacts in the media, Arkhipov was quite skillful in keeping the image of Zhirinovskiy alive. Arkhipov keeps a whole file of his exploits, each fabrication more grotesque than the one before, in his home. But all of these "rumors," many of which were absolutely absurd, performed an invaluable service by reminding the people of Vladimir Volfovich's existence.

LDPR Criticizes Opposition

944F0819A Moscow SOKOL ZHIRINOVSKOGO
in Russian No 2, 31 Mar 94 p 4

[Article by S. Loktev: "Agony"]

[Text] And so, we have lived to see the day. The "left-centrist opposition" has been born (?). Congratulations are in order, it would seem. But, somehow we do not feel like it. There is something cunning here, or, as they used to say in the "stagnant" times, something of the "planned and coordinated" by the "controlling and directing" power.

They got together... They came to an agreement... They formulated "... They signed it...

Yet, it is unlikely that anything good can come of something that, from the very beginning, is based on deception. One (?) of the "organizers of the coalition," Nikita Sergeyevich Mikhalkov, learns of this only from the mass media (TRUD, 19 March 1994). Still unclear to this day is the role of Aleksandr Vladimirovich Rutskoy in this "forum," the former vice president of Russia who, in the opinion of certain analysts, is still the "only lawful president of the country according to the lawfully adopted legitimate constitution." And, if we must be honest to the end, then Metropolitan Ioann of St. Petersburg and Ladoga, who is honored and respected by all Orthodox people and simply by all Russians, gave his blessing not so much to the coalition of left-centrist forces as to the appeal to the citizens of the Russian Federation, in which there is much about which our people groan instead of talk (PRAVDA, 18 March 1994).

Everything is correct. In the words of Stanislav Sergeyevich Govorukhin, "we cannot live like this" anymore. With this, I believe, all of Russia agrees. But, we also cannot change anything with endless talk, with a constant restatement of what is already as clear as day.

We can carry on as much as we like, but, if there is no specific real program, then nothing will come of it except to anger the people, who have already been brought to the extreme by the "reformers." And they are agreeing to this. Just look at the surnames of the authors of the "coalition." They are absolutely different goals, absolutely different thoughts, absolutely different means.

Let us assume, they will once again succeed in duping the people who have been driven to desperation. They will attract part of the voters at the presidential elections (and it is specifically over this that they are in such a state of commotion). But this is at the preliminary stage. Right before the elections, they will invariably "split apart" and fight amongst themselves. By doing so, in the best case, they will give the victory to the others, to those that "had it all at their fingertips" in the preelectoral struggle. And, in the worst case—they will lead Russia not simply to the brink, but to the inevitability of civil war.

However, there is also a third variant. While it, this so-called "coalition," is distracting the attention of the people for a struggle with forces who genuinely care about the fate of their homeland and is emphasizing its own "infallibility," without any noise, coups or elections, and casting aside the president, power in the country may be seized by people who comprise the criminal, bloody foundation of today's authority, using it for themselves, for their friends and patrons, for anyone you like, but only not for the good of Russia.

We might add that the so-called "antifascist forces" are trying to get into the same harness with the left-centrist opposition. Pickets... Announcements... What is all this? Let us get to the bottom of it. The antifascist movement in all countries has from the very beginning struggled for the just good fortune of its peoples, struggled against the inhumane attitude toward man, and struggled against the occupation of its countries in all forms. And so, what has happened? Today those who, by some unknown right, have taken for themselves the high calling of antifascists, brazenly accuse of fascism the people fighting for these very principles. All the while, they themselves are trying to do everything possible to see that the country that bore them is under the heel of their "just" (or those who personally feed them?) masters. There is, of course, such a concept as internationalism. But, there is also one known as patriotism.

Yet, if things did not go beyond the extremism of the left-centrist opposition and the internationalism of the antifascists, that would be only part of the trouble. We also have Russian (?) television, Russian (?) radio broadcasting, and the Russian (?) press. It is understandable that after 1991, and then also after 1993, many of the "journalists" went "from disgrace to fame." Just open up the newspapers from PRAVDA to MOSKOVSKIY KOMSOMOLETS. Turn on the television, any program (except the old artistic films and perhaps the news on television channel 2x2, which tries to honestly present the information of its correspondents to the viewers).

What do we see? Either banality, or insolence, or baseness. But, in all cases, it is lies, prejudice, incompetence, and most of all—unprofessionalism.

However, the most interesting thing is that everyone is afraid of the LDPR [Liberal Democratic Party of Russia]. They conceal, lie, distort, and try to mix everything with dirt by their commentaries.

What can we say here? Agony.

All these "journalists," who have formed the concealed opinion of themselves as if they are singing birds, understand perfectly well that "the cuckoo praises the rooster because he praises the cuckoo." First of all, they will not always call a rooster a nightingale by order from above. And secondly, even the cuckoo's days are numbered. Not because it has thrown its offspring into other nests (this happened before), but because for it, Russia is a foreign nest. Well, what can it do? It was born in the wrong place. If they chase the cuckoo out, that cannot be helped. But nightingales are always needed. However, they must be real ones, and not trained or artificial.

Therefore, they (the informational roosters) are ready to do anything for the pseudodemocrats (well, after all, they are the masters), for the left-centrists (what if...), for the "antifascists" (to play on the people's memory), just so they do not let loose the falcons of Zhirinovskiy. The falcon is such a bird that makes the sick and impudent roosters who have grown fat always feel uncomfortable next to it. And then, perhaps, other flocks will swoop down, with whom they seemingly lived as friends before...

It is necessary to understand that today there are many of them, but they are few in number. Yet, the LDPR is one, but strong, supported by the people, and tested in its honesty. And, if we give our people the opportunity to learn the truth, then the doubts about the future, about the results of the presidential elections, and consequently also about the country's emergence from the dead end into which it has been shoved, will disperse like the night fog disperses with the rising of the sun

You can try to fool the people, but you cannot make fools of them.

LDPR Sees Plan To 'Liquidate' Russia

944F0819B Moscow PRAVDA ZHIRINOVSKOGO
in Russian No 6, 4 Apr 94 p 2

[Article by A.N. Pravdivets: "The Fate of Russia in the Predictions of Former CIA Chief A. Dulles"]

[Text] The U.S. Administration and transnational corporation are currently implementing the two-faced policy of the times of the Tatar-Mongol yoke, taking as their basis and as their weapon the teachings of the Khan Mamay. The current directives and plans of the CIA, as well as those of the Western secret services, are based on the instructions of the former chief of U.S. intelligence,

A. Dulles, who after the Great Patriotic War not only theoretically substantiated, but also quite accurately predicted the unique variant of liquidation of the socialist system in the entire world. G. Bush, former CIA director and U.S. president, gained a decisive victory over the USSR, proving to the entire world that the morality and the very individuality of a person are the strongest and most irrefutable weapon in the hands of a smart, calm, and counterbalanced enemy.

Let us turn now to the teachings and instructions of the Khan Mamay and CIA Director A. Dulles. The oppressor of the Russian land, the Khan Mamay, taught: "Divide the people into our own and outsiders. Defame the past and praise the order in other lands. Curse the old men and flatter the youth. And then the state will become like a tree riddled with worms." The chief of U.S. intelligence, A. Dulles, cleverly and subtly, as befits a true and professional intelligence agent, enhanced and developed the strategy and tactics of the Khan Mamay, presenting a new concept of destroying and liquidating the USSR. Specifically: "Having sown chaos there, we will inconspicuously substitute their values for false ones and make them believe in these false values. We will find those who think like us, our allies and helpers in Russia itself. Episode after episode, the tragedy of the destruction of the most recalcitrant people on earth will be played out on a grandiose scale—the final, irreversible extinguishing of their self-awareness... Literature, theater, cinema—all will depict and glorify the most base feelings. We will support and elevate in every way the so-called artists who will begin to impose and inculcate... the cult of sex, violence, sadism, and betrayal. We will create chaos and confusion among the state leadership. We will, in every way, inconspicuously, actively, and constantly facilitate the petty tyranny of bureaucrats, bribe-takers, and those who lack principle. Bureaucracy and red tape will be elevated to a virtue. Honesty and decency will be laughed at and no longer needed. They will become a vestige of the past... Rudeness and impudence, lies and deceit, drunkenness and drug addiction, nationalism and hatred of peoples, and primarily hatred and enmity toward the Russian people—all this we will cleverly and inconspicuously cultivate. All this will flourish in double blooms. And only a few, only a very few, will understand what is happening. And, we will put these people in a helpless position, make them the laughing stock, find a way to slander them and make them outcasts of society."

Only a true enemy of the people and the state, no matter what cloak he wears and what eloquent speeches he covers himself with, can misunderstand Dulles' intent. The present-day pseudodemocrats, covering themselves with an abbreviation of state power, are preaching misanthropic ideas, which answer fascist views and ideology.

The speech by U.S. President B. Clinton at the end of February of this year testifies to and confirms the fact that the pilferage of the country and the liquidation of

the Russian Federation under the guise of economic reforms and privatization fully correspond to the requirements of ensuring the U.S. national security.

In a brief summary, we may confirm with confidence that the future and the fate of all the peoples may fully be determined by the predicted outline of events given by A. Dulles, if the peoples themselves do not recognize the responsibility for their own fate and do not learn to distinguish who is who among the political leaders.

LDPR Reacts to Yeltsin Message

944F0819C Moscow PRAVDA ZHIRNOVSKOGO
in Russian No 6, 4 Apr 94 p 4

[Speech to the State Duma by Deputy V.K. Gusev, representative of the Liberal Democratic Party of Russia; date not given: "The LDPR in the State Duma"]

[Text] The Russian mass media, in illuminating the activity of the State Duma, presents primarily the position of Choice of Russia and its related factions and does not give objective information on the work of the State Duma. Therefore, the editors have decided to publish on our pages the speeches by deputies from the LDPR [Liberal Democratic Party of Russia].

Speech by Deputy V.K. Gusev:

(V.K. Gusev, doctor of technical sciences, has experience in state administration. He has worked as deputy to USSR Council of Ministers Chairman N. I. Ryzhkov, dealt with the chemical-timber complex, and is currently serving as chairman of the State Duma Committee on Industry, Construction, Transport, and Energy).

Honorable deputies of the State Duma, honorable chairman! The members of our committee have familiarized themselves in detail with the message of the Russian president and discussed it at their meeting, comparing the principles contained in the document with the realities of life.

It was noted in the decision that many of the approaches and conclusions presented in the message respond to the views and demands of the voters. This is particularly true of the idea of strengthening the Russian state as an all-national, consolidating ideal. Although, I would like to note that this idea is a political axiom that has been known in Russia from the times of Ivan III and up until 1985. At the same time, in the opinion of a number of the committee members, the statement contained in the message to the effect that we are in a 10-year period of decline in the qualitative indicators of health of Russian citizens, the expression of pride only in the ancient history of our beloved Russia, and especially the fact that the political, economic, and social reference points are becoming the basis for evaluation of the activity of all agencies of state power, makes the message not always accurate and declarative. A confirmation of this conclusion was the expanded meeting of the Russian Federation Government on 4 March, which did not use such

irrefutable and universally clear arguments as statistical data on the work of enterprises and organizations and on the life of our population.

Moreover, the government program of development of reform and stabilization of the Russian economy for 1993-1994, which must, in our view, become the economic and organizational embodiment of the president's message, retains a devotion to the course of the IMF and an indifference to the social upheavals of Russian citizens. All this demands the introduction of significant, and in a number of cases—principal, corrections into the course of the government. According to our deep conviction, the moment has arrived in the history of the Russian state when it is inadmissible to continue irresponsible experiments. We need a clear, economic policy that is aimed at positive results for the people. The members of the committee, many managers of enterprises and organizations, specialists, well-known scientists, and entrepreneurs are ready to work together with the government in fulfilling this crucial work and preparing within a short period of time (we believe, in one or two months) a packet of legislative statutes (on reform of the tax system, stimulating scientific-technical progress, protecting the national economy, state regulation of prices, road construction, and much else) which must open the way for our welfare in the sphere of production. The main thing that we must keep in mind in our lawmaking activity is whom this document will serve, and what tasks it will help to resolve. We must learn the opinion of the people, and have the readiness to realize our documents in life.

Honorable deputies! Despite the fact that the State Duma must devote its primary attention and time to lawmaking activity, we do not have the right to isolate ourselves from the life of our electors, their immediate and numerous misfortunes and tragedies. Most of us have just returned from the oblasts, regions, and cities, where we met with labor collectives and families of the voters. What is worrying the people? What are they indignant about? What do the people demand from us, the deputies of the State Duma?

If we speak of enterprises and organizations of the most varied forms of ownership, everywhere we hear a desperate cry, becoming an angry cry. These are nonpayments. They have tormented us, taken on a chronic character, and demand immediate intervention by the government. The committee is prepared to submit by the end of March the appropriate document on solving this problem.

I would also like to mention one thing that has become an insurmountable obstacle in the path of realization of domestic production. This is the permanent, that is, continuous, increase in prices on power resources, the increases in transport rates, and on this basis—world records on the cost of our goods, and so on and so forth. On this problem we are also ready to report to the Duma and to propose a solution.

I cannot keep silent about one other request made by all the voters without exception. And not only by them. Children, old people, young people, and mature men are all shouting about this. When will the right to life finally be observed? When will we once again be able to walk along the streets without fear, to enter the driveways of our own homes? The State Duma must answer these questions, and above all Ivan Petrovich Rybkin (as the chairman of the State Duma) as well as all of the State Duma deputies. We should not hide from problems in this building. History has never before known such tension—social, economic, and political. This is why it is so necessary today to have mutual action, joint creative and constructive work, toward which the Committee on Industry, Construction, Transport and Energy is oriented.

LDPR Faction on Regions

944F0819D Moscow PRAVDA ZHIRINOVSKOGO
in Russian No 6, 4 Apr 94 p 3

[Statement by the Liberal Democratic Party of Russia Faction in the State Duma, dated 24 March 1994]

[Text] In recent times, on the part of certain forces of the center and with the support of local authorities, efforts to implement antistate policy on the artificial tearing away of certain territories from Russia have been sharply stepped up. Specifically, at the present time, such a fate threatens Kaliningrad Oblast, the Kuril Islands, and the island of Sakhalin.

Effectively reacting to numerous appeals by the local population, the leadership of the LDPR [Liberal Democratic Party of Russia] faction has decided to undertake a study of the situation regarding Kaliningrad Oblast. The results of the study fully confirm our apprehensions.

Thus, a goal-oriented policy of dismissing workers of Russian nationality from their jobs is being implemented in the city of Kaliningrad.

A large-scale campaign has been undertaken on orientation of the local population toward renaming the streets, cities, and population centers. It has even gotten to the point that one of the streets is to be renamed "Hitlerstrasse."

In registration of joint enterprises, priority is given to Russian-German ones, of which over 150 are registered at the present time.

These and other facts wholly testify to the far-reaching plans that have been developed by foreign secret services, as confirmed by available information received from confidential foreign sources.

The development of further events following the example of Kaliningrad Oblast is planned as follows:

—granting the oblast a "special" status

—programmed implementation of a series of public opinion polls of definite orientation;

—creation of the so-called Russian-Baltic Republic on the basis of the oblast, with a "special" status and with a presidential governing board similar to that of Chechnya or Tatarstan;

—the proclamation of independence and secession of the republic from the makeup of the Russian Federation;

—the introduction of a Western military contingent of "peacekeeping" forces.

It is true, the fulfillment of the latter point is rather problematic at the present time due to the presence of Russian military formations on the territory of the oblast, which is cause for open irritation by official circles in the Baltic republics.

The West long ago rejected the policy of direct military intervention, and continues to destabilize, now already Russia, using economic and political levels of influence, as well as the "obedient" position of certain political circles within Russia itself whose actions are difficult to explain by political nearsightedness alone.

Confirming its adherence to the course of creating a unified, indivisible, and powerful Russian state, the LDPR faction of the Russian Federation State Duma decisively announces that it will oppose with all its efforts the antistate activity of traitor-politicians, as well as the actions of foreign secret services directed at tearing away from Russia its strategically important territories.

Zhirinovskiy, Rybkin Clash

944F0818A Moscow PRAVDA ZHIRINOVSKOGO
in Russian No 8, 4 May 94 p 4

[Unattributed article: "The Liberal-Democratic Party of Russia in the State Duma"]

[Excerpt] [Passage omitted]

According to the statute, in the State Duma there must be five deputy chairman of the Duma. For the present moment, only four have been elected. On 20 April, the election of the fifth deputy chairman was included on the agenda. Eight candidates were nominated. V. Zhirinovskiy was nominated by Deputy V. P. Mironov (Medvedkovskiy Electoral District): "...the second candidacy is Vladimir Volfovich Zhirinovskiy. I believe it is time for him to sit at that table (of the presidium)."

V. Zhirinovskiy and A. Chilingarov made it to the runoff. Zhirinovskiy received 115 votes, and A. Chilingarov—an independent deputy—received 167. No one got the necessary number of votes. However, the results of the voting brought not only the "reformers" in the Duma to a state of shock, but also some of those outside its boundaries. There had been hope that Zhirinovskiy himself was supported by only one faction—the LDPR

[Liberal-Democratic Party of Russia]. But here he received 55 more votes than the LDPR has. The harsh speech by V. Zhirinovskiy in the Duma on 21 April had an effect: Negotiations on moving the Duma to a new building, where there would be more or less tolerable conditions for the work of the deputies, were concluded immediately.

V. Zhirinovskiy spoke prior to the voting: "When negotiations began in the Kremlin on formulating the leadership bodies of parliament, I, as the chairman of the party that had been victorious in the elections, believed that our representative would become the State Duma chairman. We were persuaded that it should be someone else. For the sake of agreement, we opted for the compromise. Then we thought that we would get the key committees—on defense and the international committee. We were once again persuaded. We gave up everything. We were victorious and we gave up everything to other parties, factions, and groups for the sake of moving ahead. Based on this, I believe that the increased influence of the LDPR on the activity of parliament is fully justified. We should add that I was nominated by a deputy who had no relation to the faction. I have also been elected from a territory—from Moscow Oblast—which I believe, is of great importance in our country as the largest capital oblast. And the main thing—no indicators—gender, national, professional, or others (some deputies recommended electing the deputy chairman of the Duma specifically by such indicators)—have any significance. Only the political indicator. Those who are trying to act as independents here, I would like to ask: What are you independent of, when the country is rolling toward catastrophe? Of what? Of cowardice, of weakness, of lack of education? Throughout the entire world, only political factions are present in parliaments! There is no parliament in the world where there are factions by the indicator of fruit (the 'Yabloko' [apple] faction), by the indicator of gender (the 'Women of Russia' faction), by the independent, by the republican, and so forth. Only political indicators! Therefore, if another chairman were sitting here (gestures toward the presidium table), you would already be in another building. You will suffer here for a long time and will not go anywhere. Nowhere! You will be evicted by the 'criminal structures.' And not one question will be resolved until more representatives of the LDPR appear here (behind the presidium table). It is not we who need this place. Our comrades are already doing.... (on that day the Duma honored the memory of Deputy R. Chebotarevskiy)."

Chairman (I.P. Rybkin): "These are our comrades, not yours."

V.V. Zhirinovskiy: "That is not important. He is, after all, a citizen of Russia. What does the political indicator have to do with it? Yours-ours. Now we are dividing up even the deceased...."

Chairman: "We do not need borrowings."

V.V. Zhirinovskiy: "Do not hinder me in speaking, Ivan Petrovich! We have just honored his memory by standing. And why did we get up to stand here, if he is not our comrade? Why are you dealing with such matters? There, you see—the policy of the State Duma chairman. Mine would not be such. I would not fawn in the offices of the Kremlin. I would not drink champagne with them. And I would not drink champagne in the United States. And they would not be bombing Serbia today if we had a different chairman of the State Duma. And they would not be adopting laws that no one will carry out. No one will carry out even a single law. Therefore, I know (turns in the direction of "Russia's Choice") that you will reject our candidacy once again. And Chilingarov will not pass either. No one will pass, and we will be tormented. Today the question of Armenia was rejected only because we were the ones who had to present it. But Nuykin from "Russia's Choice" ran up to the microphone on our side and tried to show that the initiative supposedly came from them. Kindergarten? This is what we engage in here! That is why there is only an evaluation by political indicators and programs! Strong will and an understanding of what we need, and not division in the Duma into peoples who make up republics. We already had that within the makeup of the Union Supreme Soviet, that very one which they executed. How did this all end? Specifically for this very reason—only the political views of a candidate are taken as the basis. If we respect the will of the voters who selected the political course of one party, then you could make it so that here in the leadership of the Duma there would be more representatives from the LDPR, and in the future its course would occupy a central place. Because our crisis is inevitable, and we need to think about having new people come to the head of the Federation Council, the State Duma, the government, and the country. And it must be already this year, if we do not want to roll ultimately into a catastrophe. This is what our people everywhere demand. When you go back to your okrugs now, ask the people what they want. Ask them who they want in power four months after the elections—Chilingarov or others who have been named here? Because here, of course, it is not an economic manager that we need (one deputy proposed that the fifth deputy chairman engage in the provision of domestic services for the deputies). That is simply out of the question, laughable. We need only people with definite political views. Our views are well known. Perhaps some may not like them, but then, we are not in an alms house. That is what the political struggle is for, specifically so that we do not like each other here. It would be frightening if we all liked each other here. Where parliament keeps quiet, there is total corruption. Thank God there are still some outcries here, honest and pure, because not everyone has been bought yet. It is very difficult to buy everyone at the same time."

LDPR Refutes Yeltsin Charges

944F0818B Moscow PRAVDA ZHIRINOVSKOGO
in Russian No 10, 30 May 94 p 2

[Open letter from the Liberal-Democratic Party of Russia Supreme Council faction: "To Russian Federation President B. N. Yeltsin"]

[Text] Honorable Boris Nikolayevich!

Today the effective Constitution of the Russian Federation, for which a majority of citizens of Russia voted only thanks to the active position and support on the part of the LDPR, and primarily its leader, V.V. Zhirinovskiy, grants you great powers and authorities, and it would be fair to use them in the interests of the voters who supported the new Basic Law of the state.

However, the main portion of the voters gave their votes to the Liberal-Democratic Party of Russia [LDPR], and nevertheless its leader not only did not get the right to formulate the new government, but was not even received by the president after the elections, while the leaders of other parties and movements that had yielded significantly to the LDPR at the elections, were not given this honor. Up until the present time, the leader of the victorious party has not been allowed access to the mass media and does not have the opportunity to speak to audiences of millions of his electorate on radio or television.

There is not a single minister from the LDPR in the Russian Government, while the leaders who compromised themselves, who have pushed the country into a dead end and brought the people to the threshold of a national catastrophe, continue to control the so-called political reform.

The LDPR has repeatedly named the names of these ministers and demands their immediate resignation, which will be supported and approved by all the people of the country. Gaydar, Fedorov, and Pamfilova have left, but Chubays, Shokhin, and Shakhrai remain in power, and in the rank of deputy prime ministers at that, as well as Ministers Kozyrev, Grachev, and Yerin. And during a time when a wave of indignation at their antipopular actions is rolling across the country, Prime Minister Chernomyrdin, unfortunately, announces that he does not intend to make any cadre changes in his cabinet, and thereby does not intend to heed the opinion of the people.

At the same time, there is an ongoing unbridled persecution of the LDPR and the unpardonable slander of its leader: Insults to his honor and dignity. All of the party's well-thought-out and rational proposals for bringing Russia out of the crisis that has arisen are perceived with hostility. The party is being accused of fascism and extremism, of conducting the propaganda of war, which is not present in a single one of its documents—neither in the program nor in the charter nor in the speeches of its leaders, from which, as a rule, they take fragments out

of context of the speech to show on the television news, or give commentaries without including direct quotes, thus fully distorting the meaning of V.V. Zhirinovskiy's presentation.

We are especially surprised by your announcement during the interview with the editor in chief and correspondents of the newspaper FIGARO, published in the newspaper PRAVDA on 4 May of this year, in which you indirectly accuse the party and its leaders of fascism. And this after your signing of the "Treaty on Civic Accord," in which you promised to refrain from "uncivilized" descriptions of each other.

The LDPR firmly stands on the positions of unswerving adherence to the laws of the Russian Federation. However, it does not have the opportunity to express its point of view and respond to the lies and slander in the mass media, due to its inaccessibility for the party. The leaders of the press, radio, and television are neutralizing your, the President of Russia's, efforts directed at stabilizing the situation in the country, and are retaining their positions only by means of concealing from the people that truth that the LDPR and its chairman, Vladimir Zhirinovskiy, bring to them.

Honorable Boris Nikolayevich! The Supreme Council and all the members of the LDPR, from over 70 regions of the country, express the hope that, in the interests of the people of Russia, you will have an understanding attitude toward our letter and in accordance with the recently signed "Treaty on Civic Accord," will take the necessary measures, in the interests of Russia, to restore fairness on the problematic questions touched upon in this letter.

[Signed] Supreme Council
LDPR

Zhirinovskiy on 'Strong' Leader

944F0818C Moscow PRAVDA ZHIRINOVSKOGO
in Russian No 10, 30 May 94 p 1

[Speech presented by V. Zhirinovskiy at the public meeting in Sokolniki on 7 May 1994: "You Will Understand and Support Us"]

[Text] Today, on the eve of 9 May, we devote this meeting with our electors and supporters to what is perhaps the last of the holidays that are still honored in our land. We do not have a national holiday, because our state does not have boundaries and a normal name or normal symbolics. But for 50 years now, the entire world has remembered 9 May 1945, when the Russian Army routed the Germans and World War II came to an end. Next year will be the 50th anniversary of this glorious and at the same time tragic event. Unfortunately, our army is leaving Germany a year too soon. We should have remained there until the 50th anniversary of our victory, so that this would be an even date, and so that all who are ready to encroach upon Russia's interests would know that they will be at war with us for three or four

years, and after its victory the Russian Army will remain in their country for 10 times longer, for 50-60 years. So that no one will dare to encroach on someone else's lands, on someone else's independence.

We were involved in two world wars, and in both cases we fought with Germany. Many of you ask, why are we living in poverty, when will all this end? It will not end until we change our foreign policy. Everything depends on foreign policy. You can have a rich house, your family will live comfortably, but when war breaks out—all will be lost. How well they lived in the Transcaucasus, in Sukhumi: It was summer year-round, and a resort. Money came in from all of Russia. Everyone was well dressed, healthy and well fed. But what is there now? War, destruction, refugees, already thousands of casualties, and tens of thousands have been left homeless. Therefore, only a correct foreign policy is the guarantee of calm and assurance. Perhaps we will not live too richly, but we will live, and all of our relatives will be alive. So we conquered in the second world war, but there was a casualty in every family. And is it pleasant to realize that there are also soldiers who were missing in action, and their mothers, fathers, and relatives do not know where they are buried? Where is the grave of this perished soldier? It is easy to inscribe on granite, "Your name is unknown, but your feat is immortal...."

Today, no matter how sad our days and our life, we must have great respect for the participants of all wars, and primarily for the participants in the Great Patriotic War. I myself was born already after the war. We are a new generation, but our generation also went through Vietnam and Afghanistan, Africa, Cuba, and Korea, and the war practically did not end. Unfortunately, history shows that mankind cannot do without war. We are opponents of this. We do not want war, but you see—it is everywhere. Today above us is a peaceful sky, but two Yemeni states attack each other with planes and tanks, Yugoslavia is soaked in blood, there is bloodshed in the Near East almost every day, and the war goes on in Cambodia. You will not find a single spot on the planet where there is quiet and calm. Therefore, we must have a strong army, whether we want it or not. A strong army will ensure a strong foreign policy. Otherwise, we will always have destruction. Standing before you today at the meeting are deputies from the faction of the Liberal-Democratic Party of Russia [LDPR], representatives of our Russian Army and Navy, officers and generals. All of them are supporters or members of the party. We pay our respects and bow our heads before all the soldiers who have died. We would like very much for our political activity to improve the life of all our people, the participants in the war, who are always being told of benefits, but these benefits come to us when we cannot realize them. If they promise a discount on a trip across Russia, the tickets are so expensive that even with the discount a participant in the war will not be able to visit his co-worker.

And what have they done today with our army? They studied together at military schools, they served together in the same military units—soldiers and officers. And now

they have found themselves in different states. Now they fight against each other. Today an officer in Ukraine is developing an operation to repel a strike from Russia or, on the contrary, planning an attack on Russia. The same thing is happening in the Baltic: Officers or soldiers are being trained for an attack on Pskov, while the Pskov paratroop division looks through its binoculars at the opposing enemy in Narva. Both here and there are soldiers and officers who have attended the same school. All of them were in the makeup of the same Soviet Army. And now they have been artificially separated and made into enemy groupings. This is monstrous. They have used psychological weapons against us. Foreign policy is being controlled by people who do not care at all about the national interests of Russia, and this means also the interests of its citizens, you and I. As a result, instead of the former Soviet Army there are tens of other armies which have emerged: The Georgian, the Azerbaijani, and so forth. Such foreign policy serves the Americans and Western Europe, since its goal is to destroy our state and our army, and to force us to fight with each other. The Abkhaz will fight with the Georgians, the Armenians with the Azerbaijanis, the Tajiks with the Uzbeks and Kirghiz. What a "clever" policy—"to fan the flames with someone else's hands." And to sell their weapons, and not ours, everywhere in the world. And they do not intend to engage in conversion. Why should they reduce the living standard of their people? Yet for our people it is all right, they do not care about them.

By the example of our life we see that without a strong power, without a strong head of state, there will be anarchy and banditry in the country, and no one will protect us. You see for yourselves that the "democrats," in the struggle for their fortune, make wide use of the informational weapon, in two variants. First of all, there is the advertisement of the beautiful life under capitalism, when goods are being advertised which most of us can never afford to buy. They advertise all these stocks, which are supposed to make you all owners. Every day they show people relaxing in foreign resorts. Go ahead and go there—after all, you are owners now, they have given you vouchers. Go there and live the good life. They do not show us who goes there. They only show us how beautiful it is there, how people in bathing suits dive off of boats, and what they eat. Secondly, every day you are given misinformation about the domestic state of the country, from morning to night. Remember: 90 percent of the information on our television and radio is lies. There the goal has been set: not to allow you to understand who is who in the country, who is a patriot and who is wearing the guise of the patriot. Most of these journalists and correspondents are people who have been bought. And I am not the only one who says so. They make their living by fooling you, by proclaiming me to be a man who aspires to be a dictator, who calls for war on top of everything else, who is ready to relocate peoples. And for this, the CIA pays them. Unfortunately, these are not empty words. We too have people who are ready to betray Russia for 30 silver pieces. This is that very informational weapon. Every day, over all the channels,

they fool you. You were always told: Build communism. And part of them built it for themselves, but not for you. The nomenklatura saw to its own needs. Now it has reorganized. The former Communists have become capitalists and now say to you: Communism is bad, let us build capitalism. And for themselves they have already built capitalism. And you will die out and build, build and die out. To the Communists (I am referring to their leadership cadres) and to those who have come from the ranks of the turncoat-democrats—the people never meant a thing. They took the 300 million residents of the former USSR for idiots, and still take them for such

No one builds anything in the world. Everyone simply lives, lives normally. Only we here in Russia have been building something for the entire duration of the twentieth century. Endless building! The entire country, all the people, are sitting on suitcases. First to plow the virgin land, and why did we need to plow them? There were thousands of sheep grazing there, did we not need the meat? They thought up this foolish operation on purpose—let us turn up the virgin lands. Where are these lands now? Who has them? They are in Kazakhstan. And who paid for this? You and I. We will build—we will go into space. And so we built. We went into space—it was difficult and expensive. Thirty years have passed. Finally, space has begun giving a return, and so that we, Russians, will not be able to live better, they must take it away from us. But how to take it away? By territory: Kazakhstan is an independent state. That means we turned up the virgin lands for someone else, not for ourselves, and the cosmodrome is outside the boundaries of Russia. Well, that is all right. We will build a new one. You, the Russians, will be patient. You will tighten your belts a bit more, you will struggle for another 20 years or so. We will build a new cosmodrome in Plesetsk or in the Far East, and maybe your grandchildren will finally get to have "Bounty" ice cream. Such a vile, deceitful policy has been going on for nine years. Nine years, beginning with the tractor operator Gorbachev and ending with the heads of the laboratories, who even today are incapable of managing the state.

Taking the opportunity, I wish to once again thank all Russian citizens, all Russians and persons of any nationality living in our huge Russian state from Kaliningrad to Kamchatka, for your faith in our party, which was victorious in the elections. But you have become convinced once again: Their democracy is for a few days. Already on 13 December they violated the Constitution, ceasing to give information on who was victorious in the elections. It is a paradox that you, the voters from the mass media, know more about the breakdown of votes in South Africa, far beyond the boundaries of Russia, yet you know nothing about how the elections are going here. You have once again been deceived. Our party, the LDPR, won a majority of votes, but they gave us 25 percent. The rest they stole during the night and gave to these pathetic parties which today occupy the place of our party. There should have been 120 of our deputies, but there are only 60 of us. Some parties received

monetary support from foreign organizations and states. In any country of the world such deputies would have been chased out of parliament with a dirty broom, and the leaders of such organizations would have been tried for having ties with foreign intelligence services! Yet in our country they are calmly sitting in parliament for the fifth month now, and no one is doing anything about it. The procurator is keeping quiet, and the KGB is keeping quiet, because everything has been reformed and everyone has been bought, totally. Therefore, these agencies will never fight against crime, because it is better for them to get a bag of money from a gang that to wage a struggle against it. It is better to get money and rest, doing nothing. This is the frightening policy that is continuing before your very eyes.

Today we are speaking before you not simply as a political party, as the Liberal-Democratic Party of Russia, but as the representatives of the supreme legislative body of the country—the State Duma. You must know that today in the supreme body of power there are people who are defending you, who know what must be done. For this we are being publicly dishonored, defamed, and not allowed to speak on radio or television. Because the democrats know: We stand for Russia, for the people of Russia. They know that our program, our position on foreign and domestic affairs, is viable and is quickly raising up the country, and will not let anyone plunder it. That is why they fear and hate us. That is why they sling mud at us. But we will not be frightened, because we know: You, the voters, will understand and support us.

LDPR Attacks Limonov

944F0818D Moscow SOKOL ZHIRINOVSKOGO
in Russian No 2, 31 Mar 94 p 2

[Article by S. Loktev: "Forward, to the Presidential Elections!"]

[Text] Our country is rushing headlong toward the presidential elections. The pre-electoral marathon began long ago, but then, strictly speaking, it had never ended. All these "yabloki," [Yabloko faction members], "Demrosy" [Democratic Russia faction members], "PRESeS" [Party for Russian Unity and Accord faction members] and "vybrosy" [Choice of Russia faction members] are waging a well-organized, massive attack on the forces that express the hopes of our long-suffering people, on the forces that are becoming ever more closely associated with people from the Liberal-Democratic Party of Russia.

With the Gaydars, Sobchaks, Shumeykos, Novodvorskiys, and Chernichenkos, everything is understandable. But how to react to the traitors from the nucleus of the party and to the "hangers-on"—who latched on and betrayed? With the semi-transoceanic "psychotherapist," everything is also quite simple: What kind of State Duma deputy is he, when he constantly "in body and soul," earns "greenbacks" across the ocean, which certainly does not facilitate the image of a fellow traveler of Zhirinovskiy, who has

shaken both the near and far abroad to its foundations. And Anatoliy Mikhaylovich was not able to foresee the results of Mr. Nixon's visit to Moscow....

But Limonov—here is a real, pathologically embittered enemy. Then again, what can one expect from a former "member" of the shadow cabinet—a professional on the sexuality of Negroes and on slinging mud at his homeland from afar—across several state boundaries. This is typical for the "rah-rah patriots" of the emigration: Having latched onto a powerful political leader, to make himself known in Russia, to take on a certain notoriety and....to respond to this with black ingratitude, and not disdain to use any means. The lies are mixed up with a full absence of honor: The program of the LDPR is supposedly a falsification, and the members of the LDPR are merely mindless servants, and the party itself was created and is being controlled by the special services (one variant) or by the mafia structures (another), and the surname and patronymic of the leader does not instill confidence, which may already serve as a reason for accusing him of all mortal sins....

Although, to be frank, the name Eduard and the surname Sayenko also are not the most Russian. And the blatant baseness of such betrayal has never been a trait of the Russian character. Even despite the emphasized camouflage of the clothing. Then again, God will be the judge of Mr. Sayenko-Limonov. We need not speak of conscience here.

All these are significant questions not in themselves, but because they take on particular acuteness on the threshold of the presidential elections. I would even say that they determine to a certain degree the very course, the very direction of the pre-electoral struggle.

There have always been an ample number of people who want to "put a spanner in the wheels" of the LDPR, which expresses the interests of the people and which is a truly popular force, and there will be even more such people in the future. This should not be something unexpected. This is not something to be afraid of. We must be ready for this.

Therefore, it is necessary to use the LDPR Congress, and the Congress of Slavic, Orthodox, and Christian Peoples, and the regional conferences for unifying, consolidating, and developing a clear-cut platform for the pre-electoral struggle, a platform that will move at a given speed in a specifically given direction, despite any unexpected occurrences and provocations. Even if "the heads of serious rivals and former allies end up on the tracks." Even if B.N. himself suddenly decides to keep his old promise, if not in the physical, then in the psychological sense. This platform must bring the command of the LDPR precisely and on time to its "point of destination"—to victory in the presidential elections.

Zhirinovskiy on 'Special Services'

94410818E Moscow SOKOL ZHIRINOVSKOGO
in Russian No 2, 31 Mar 94 p 3

["Appeal by Liberal-Democratic Party of Russia Chairman V.V. Zhirinovskiy to the Officers and Associates of the Special Services and Special Subsections of the Federal Counterintelligence Service and the Ministry of Internal Affairs"]

[Text] Honorable gentlemen officers, servicemen, and specialists of the agencies of counterintelligence and the MVD [Ministry of Internal Affairs]!

In connection with the fact that cases of your active nonacceptance of the processes taking place in Russia associated with the disintegration of the integral system of security have in recent times taken on a mass character and affect even the unique elite subsections whose loss cannot be allowed, I consider it my duty to address you with an explanation of our party's position in regard to what is going on at the present time and the prospects for the near future.

First of all, I must admit that the success of the Liberal-Democratic Party in the elections and the confidence and support that were given to us by the people have not yet been embodied in a real influence on state domestic and foreign policy. I attribute this to the stubborn sabotage and resistance by the mid-level bureaucratic apparatus and a number of leaders in the supreme organs of power and administration who are striving by all possible means to remove the LDPR [Liberal-Democratic Party of Russia] from real participation in governing the country and thereby making it impossible to fulfill the obligations assumed before the more than one-fourth of Russia's population, which actively supported the nationally oriented policy of the LDPR.

This is being manifested most clearly in the concealment or gross distortion of the party's activity by the mass media, and in hidden form by the total disregard of all our efforts to influence the processes going on in the country on the part of the official-bureaucratic apparatus, which is rotten to the core, and which has multiplied to unthinkable dimensions. It is doing its sabotage in the Center, as well as splitting the unified and indivisible Russia according to the national-autonomous principle. These people, who have broken through and attached themselves to power, for the most part could not care less about the fate of our homeland, about the dignity of its citizens, and about how Russia appears in the eyes of the entire world. In domestic policy, their interest is the interest of their own pockets, which are bottomless. In foreign policy it is the interest of these same pockets, only in freely convertible currency.

I understand that your patience, like the patience of the other citizens of Russia, is not boundless. To see all this and not do anything is more than real patriots of their homeland can endure. Therefore, a real exodus of the best specialists and professionals has begun, their

"squeezing out" into the commercial structures and other spheres of activity. The latest example, but unfortunately not the only one, is the behavior of the associates of the Vympel subdivision.

I appeal to you with a real request to shore up your endurance and your patience. Grit your teeth and endure the moral degradation and material difficulties that all the people of Russia are experiencing, and which are doubly hard for you, who are ready to actively work at overcoming them.

Russia will need your knowledge and professionalism when the Liberal-Democratic Party attains all the fullness of state power by lawful, constitutional means and by the will of the people. We will have to scrupulously investigate everyone who sold out Russia's interests, who betrayed our fellow countrymen in the so-called "near abroad," who stole billions in hopes of taking them out of Russia, laying low abroad, putting on the guise of suffering fighters for democracy and hiding from lawful retribution. That is when the efforts of professionals will be needed. This will not be a political criminal investigation and suppression of dissidence or freedom of conscience. For the LDPR, freedom of speech and conviction are just as sacred as the sanctity and inviolability of private property—the basis of Russia's economic future, but property acquired and earned by honest means, by the labor of one's muscles or one's mind.

We will have to return to the people all that has been stolen from them, to smash the mafia clans, to punish the criminals who have no patriotic convictions, who have no concept of homeland in their hearts, and for whom the word Russia is but an empty sound.

Your task, the task of specialist-professionals, people with a clear conscience and patriots of Russia, is to reach them wherever they may be, to pull them out from whatever crack they have wedged themselves into, be it Africa, America, Australia, or Europe, and to return to the people the wealth that has been stolen from them, so that this wealth may be used for social programs. So that our honest entrepreneurs and industrialists may use it for the good of all the people. Remain at your posts. Save and collect information. Expose the "turncoats" in your ranks, and be ready for action.

Lysenko Party, Program Viewed

944F0828A Moscow MOSCOW NEWS in English
No 22, 3-9 Jun 94 p 6

[Article by Vladimir Sirotin, Moscow Antifascist Center; first paragraph MOSCOW NEWS comment]

[Text] Semifascist and fascist organizations are a sad reality in Russia's present-day political life. Our newspaper has already written about the party called Russian National Unity (MN No 15). Today we will discuss the National Republican Party of Russia. These organizations

have much in common. The most essential difference is that the leader of the NRPR [National Republican Party of Russia] is a member of the State Duma.

The Beginning

The origins of the NRPR, like those of similar organizations, can be found in the end of the 1980s. Turbulent rallies were held, bold judgments were voiced, and some highly-placed officials suggested that perestroika had gone too far, that it was endangering the very foundations of the regime. Communist ideas discredited themselves, but what would replace them? Maybe "democratic" passions would be balanced by national-patriotic, nation-state ideology? The power structures condescendingly looked on, and occasionally even helped different nationalist organizations (Pamyat, etc.).

The Republican People's Party of Russia was formed at its constituent congress in April 1990. In March 1991, the 2nd unifying congress brought together separate nationalist factions and groups. In January 1992, the party was registered as the National Republican Party of Russia. According to its leaders, it has about 10,000 members. Its headquarters and a large part of its membership is in St. Petersburg. Until 1991 the party had been led by Viktor Antonov; in 1991 he was replaced with the present-day leader Nikolai Lysenko.

The Leader

Nikolai Nikolayevich Lysenko was born in 1961 in the Irkutsk Region, finished school in 1978 and entered the Biology Department of the Pedagogical Institute in Ussuriysk which he finished in 1983. He worked in Leningrad as a physician of the veterinary first aid service. In 1986 he moved to Leningrad, where he was officially registered as a resident of the city. Here he graduated from the evening department of a pedagogical institute, with a speciality in history and social science. However, he did not work in this field and did not teach anywhere. In 1987, he joined the Leningrad branch of Vasilyev's Pamyat, becoming a member of the regional council of this organization. After having conflict with Dmitry Vasilyev he became the leader of a new party. Since December 1993, Nikolai Lysenko has been a deputy in the State Duma (elected from the Engels constituency of the Saratov Region) and a member of its Committee for International Affairs. In his speeches he has voiced a sharply nationalist point of view. He has suggested building relations with the "bandocratic regimes" of Kravchuk and Shushkevich "on the basis of not international but criminal law," pursuing a tougher, offensive policy in relation to Turkey and Pakistan, and so on. During the October events he sided with Yeltsin and the government, as did Zhirinovskiy and Vasilyev, and has signed the Treaty on Social Accord.

The Program

The NRPR envisages establishing a strong "Russian national" and "national-authoritarian state regime," "overcoming national sovereignties," "strengthening the

Russian identity," "disbanding and banning the activities of all parties and movements which have received direct or indirect support from foreign states and citizens," relying "exclusively on our own strength," and pursuing its own, "special" path of development for Russia. It has proposed to sharply limit democratic liberties, declare great Russian chauvinism as the official "nation-state ideology," and take steps toward the re-establishment of the empire. Party activists do not hide that, once in power, the NRPR will militarize the country by giving the military industrial priority in the economy. In addition, the leaders plan to strengthen the state sector, incorporating heavy industry, and the military areas of production. They envisage the privatization of small and medium-size enterprises and the development of private capital, but only "national" capital and under the state's firm control. The party is striving for the restoration of the command-and-administer system in a somewhat modified shape and advocates private property in land which, it is true, must be "limited," "controllable" and "responsible." They propose setting up in the services sphere and in the small business sectors of handicraftsmen similar to medieval guilds.

The National Question

At the 2nd party congress, in March 1991, Lysenko said that the "future Russia" must include, in addition to its present territory, Ukraine, Byelorussia, Kazakhstan, Trans Dniestria and the part of the Baltics which includes, at the very least, the Narva and its environs. They stress cooperation with the KGB and the army which has many "sound," national-thinking forces. The congresses pledged to "combat zionism" and "stand up for the moral-religious values of the Russian Orthodox Church." Officially, anyone can join the party regardless of nationality, yet every pretext is used to deny admission to Jews and ethnic Caucasians and Central Asians. When the party was young, it planned to adopt a racist program which would envisage severe restrictions on non-Slavic people and the complete ousting of Jews from Russia's political, economic, and cultural life. Later, they modified their position and began advocating national-proportional representation in government bodies. It is the NRPR that has lately circulated in Moscow a leaflet called "Kill the Black Hydra" spearheaded against people of Caucasian origin, who were accused of having "occupied" Russia in addition to every other moral sin. NRPR members do not hide that in the event that their party comes to power, the Caucasians and "Central Asians" will be deported from Russia. They also promise to carry out a "persistent de-zionization of the country." They say that they will assist in every way the Jews' emigration to Israel: they will do their best to make them leave Russia and "woe to those who refuse to leave: Russia is for Russians, not for aliens!"

The Organization

The party's branches are active in St. Petersburg, Moscow, Vologda, Novgorod, Valdai, Novocherkassk, Saratov, Novosibirsk and Pakov. Organizationally the party is built

in accordance with the CPSU's [Communist Party of the Soviet Union] tradition, on the principle of "primary party organizations" in the localities. Primary branches may be set up given there are at least three party members. The supreme body elects a party committee for a term of one year. Local organizations—city and regional—are set up to coordinate work. The supreme body is the conference which elects a Council and Control-Auditing Commission for a term of two years. The supreme body of the party is the congress which must convene at least once a year. The supreme executive body is the Central Council. Factional activity is strictly forbidden in the party.

Storm Detachments

In the autumn of 1991, the NRPR formed a Scout National League in St. Petersburg, which soon became the Russian National Legion. The legion's commander is Sergei Maltsev, once an active member of the Democratic Union in Chelyabinsk. He left the DU [Democratic Union] because, according to him, he had been "fed up with the demagoguery of Judaistic democrats." In March 1992, 15 men from the legion under Maltsev's command went to fight in the war in South Ossetia. Maltsev said they had been invited there by the local authorities. Combatants from this paramilitary organization (about a hundred of them) fought not only in South Ossetia but also in Trans Dniestria and Abkhazia. Now, according to some information, they are fighting in Serbia. They train at specialized bases the whereabouts of which are kept secret. In St. Petersburg's streets and in its Metro one can find announcements inviting people to join the RNL [Russian National Legion], but only those who are "men of Slavic origin." In February 1993, the Procurator's Office of Russia demanded that the RNL be disbanded. Yet there is no indication that this demand has been followed. Recruitment to this organization is continuing, only there are fewer announcements. Incidentally, the RNL is not officially a part of the NRPR. Sometimes the party even disavows the legion, calling it an independent organization. In reality, however, it is a guard detachment of the national-republicans. Maltsev is the second person in charge after Lysenko, the "Fuehrer."

Already after the demand of the Procurator's Office last year the legion's headquarters formed a Military-Consultative Council consisting of eight senior officers. It is also known that the national-republicans have a streamlined security service (Russian Security Service) consisting of about 30 people. This is the most covert part of the NRPR and is headed by Yuri Belyayev, a militia officer, and a member of St. Petersburg's Criminal Investigation Department.

Contacts

The NRPR has maintained friendly relations with the All-Russia Party of the Monarchic Center. One of its leaders is Viktor Antonov, the former chairman of the Republican People's Party of Russia until 1991. Yuri Belyayev is also the leader of the People's Social Party in St. Petersburg—a small, but very aggressive and avowedly Nazi-like faction.

The National Republican Party of Russia is a part of the Russian National Assembly and the National Salvation Front. It was previously also a member of the Russian

National Sobor, but its membership was suspended at the end of last year. It maintains no relations with the LDPR [Liberal Democratic Party of Russia]. Its attitude toward Zhirinovsky is cool if not directly hostile. NRPR members cannot stand the entire "communist" spectrum of Viktor Anpilov, Nina Andreyeva and others, although sometimes they have to take part in demos and rallies with these groups. They maintain good relations with the Cossacks, especially the Kuban Cossacks, but they are hostile to Russian National Unity mostly because the leaders of the two groups are rivals. These two movements are very close in their views but there are also differences. The NRPR stresses Orthodoxy, seeking to make it a state religion, and draws largely on ultraconservatism and "traditional values," whereas RNU considers itself a "national-revolutionary" movement. National-republicans are more inclined to utopianism. If it comes to power, RNU will evidently admit "national," "honest" private capital into the economy. RNU refuses to use the word "socialism," whereas the NRPR occasionally mentions the term "national socialism."

The Press

Since 1990, the National-Republican Party has been publishing two newspapers: NASHE VREMYA and GOLOS ROSSII (with the circulation of 45,000 copies each). Both are distributed mainly in St. Petersburg, though some are sold in Moscow and other cities. The publications are extremely jingoistic: printing Black-Hundred, antisemitic materials in the main. GOLOS ROSSII was edited by Lysenko in 1991-92, and since 1992—by Igor Kravtsov. NASHE VREMYA was edited by Yevgeny Sokolov in 1991-92, and since 1992 Genady Murikov.

Relations With the Church

The party intends to proclaim Orthodoxy a state religion, while promising to put an end to some creeds (Judaism, Eastern cults, a number of sects) and to restrict other "heterodoxes." The party does not rule out that, along with the secular authorities, the country will have a "spiritual leader." A special board is expected to be formed "for preventing and investigating crimes against the true faith." The NRPR also enjoys extensive support in the circles of the True-Orthodox (Catacomb) Church and the Russian Orthodox Church Outside Russia (the Karlowitz schism).

Sources of Financing

The NRPR is financed by a number of commercial organizations in St. Petersburg. Some highly-placed party members have their own businesses and shares in joint-stock companies. There are enterprises and commercial structures specially set up by the state security bodies to finance specific organizations. Some party members are on the payroll of the security services at

trading and commercial establishments. Sometimes "legionaries" guard "national-patriotic" activities for a fee, naturally.

State-Legal Directorate Chief on Draft Criminal Code

944F0823A Moscow OBSHCAYA GAZETA
in Russian No 23, 10 Jun 94 p 6

[Interview with Sergey Pashin, chief of the department of the state-legal office of the president of the Russian Federation, by Leonid Sharov, under the "Firsthand" rubric; place and date not given: "A Remedy for the Inquisition; the New Criminal Procedure Code Will Become a Counterweight to State Repression. If It Is Adopted...."]

[Text] The 29 April No. 17 issue of OBSHCAYA GAZETA carried an interview with Sergey Pashin, the chief of the state-legal department of the administration of the president of the Russian Federation, concerning problems associated with the introduction of juries. In preparing for that interview, an agreement was reached with Sergey Andreyevich for a new meeting, inasmuch as the jury is only one of the components of the judicial reform that has been started in Russia. The new Criminal Procedure Code (UKP) should be come pivotal. This very important normative act, on which the legal future of the country depends, also became the subject of yet another interview with the jurist who heads this study.

[Sharov] Sergey Anatolyevich, all you hear now is that it is necessary immediately to adopt a new Criminal Code and to put it into effect. However, almost no one talks about the need for the development of another very important code of laws that is just as urgent—the Criminal Procedure Code. If this is not done, then the new UK ((Criminal Code)) will exist within the framework of old, detrimental, and contradictory procedural norms, and it will prove to be deprived of a modern mechanism for its implementation....

[Pashin] I do not agree that the Criminal Procedure Code is a mechanism for implementing the Criminal Code. The Criminal Procedure Code is valuable in itself. Its norms are directed not so much at carrying out criminal repression as at the organization of legal proceedings on legal principles. Procedural norms are needed not to suppress crime, but to regulate the work of law enforcement agencies in such a way that they would not resort to extreme measures on the pretext of a war against crime. And in this connection, the urge of the authors of draft laws—concerning the fight against corruption, against organized crime, and about the protection of witnesses and victims—to untie the hands of authoritative structures at the expense of a lowering of procedural guarantees is not at all a campaign against the criminal, but an attempt to introduce a mechanism of arbitrary rule. Because each time the hands of our law enforcement organs have been untied, that has been exactly when arbitrariness began.

[Sharov] And nevertheless, can the Criminal Code and the Criminal Procedure Code be applied separately?

[Pashin] No, of course not. Such normative acts unquestionably must be employed together. If for no other reason than that part of the norms from the Criminal Code establishes certain procedural decisions associated with evidence. For example, the draft Criminal Code resolves the question about the criminal responsibility of juridical persons—an absolute innovation in our law. This means that there also must be an appropriate prosecutorial procedure. Or the question concerning the subject of proof. The draft Criminal Code states that in certain cases the consent of a victim to an injury inflicted on him negates criminal responsibility. This means that the Criminal Procedure Code should establish the method for proving this circumstance. In this case, the burden of proof should rest not with the state prosecution, but with the counsel for the defense. There was never such a rule in our criminal procedure. Or proof of ignorance of the law. Well, a person does not know to what juridical actions his actions could lead. Previously, this did not relieve anyone of responsibility, although it did happen that a citizen was really not aware of this. And here the burden of proof should fall to him, inasmuch as a presumption of knowledge exists for every published law. That is, the new Criminal Procedure Code, taking into account the provisions of the new Criminal Code, is bound to make a differentiation depending on the situation of the duty of the sides to prove facts that have a bearing on the case.

But if we are to take seriously the principles that underlie a civilized sense of justice, not in a declamatory way, and so that we would be allowed into the Council of Europe, then the extremely meager regulation of the norms of evidentiary law of the Criminal Procedure Code should be considered its most fundamental problem. But this is the crux of criminal proceedings. There are numerous examples of this. In proclaiming the equality of the sides, the Criminal Procedure Code completely deprives the defense of the opportunity to conduct an independent investigation. For something to become proof, the lawyer must request that the investigating officer take appropriate actions. Well, of course, the court itself is in fact a prosecutorial organ. After all, it is obligated in its session to find the truth, and not just be an arbiter between the state and a citizen. The public prosecutor, according to the existing Criminal Procedure Code, is not at all obliged to participate in a court session. Approximately 20 percent of the cases in rayon courts are heard without both a public prosecutor and a defense counsel. The judge performs in the role of an inquisitor: He alone does the questioning, he alone does the exposing, he alone verifies materials, and he alone pronounces the sentence.

[Sharov] As I understand it, the draft of the new procedural code is ready?

[Pashin] Completely, yes.

[Sharov] When will it be put "to work"?

[Pashin] I hope, by the end of June.

[Sharov] When can we expect its adoption?

[Pashin] Realistically, within half a year.

[Sharov] What kind of a code will it be?

[Pashin] The court in it is separate from the prosecuting authority. The code is based on the adversarial principle, i.e., the investigative and defense organs have equal rights in the search for evidence and its presentation to the court. In this connection, the procedure itself of the judicial investigation is changed. The court now determines the procedure for investigating evidence. The court is the first to conduct the questioning, and the prosecutor and the defense counsel only afterwards. They, in fact, ask only additional questions. According to the draft, the public prosecutor decides what evidence to present and how. After him, it is the defense counsel. All that the court does is to direct this procedure. Like a real arbiter. It receives a legal opportunity not to fight against crime, but to engage in what a court is supposed to engage in. Not to imprison people, but to ensure the procedure, as a result of whose observance a person is on equal terms with the state that is prosecuting him. In other words, the Criminal Procedure Code performs as a counterweight to the idea of state repression reflected in the Criminal Code.

[Sharov] But do you not allow the possibility that the legislator will apply the Criminal Code earlier? After all, what will start then is such....

[Pashin] What will start then is the arbitrariness about which I talked at the beginning of our interview. The law enforcement organs will begin to search—to fabricate.

[Sharov] Well, yes: If there is a person—an article will be found.

[Pashin] Something of the kind. You are right: The tendency exists to employ a maximally repressive Criminal Code as soon as possible, imparting to it a maximally simplified criminal process. And it is extremely dangerous. Especially since there is a serious trump card among the supporters of such an approach: the increase in crime. They play on one of the most powerful of human emotions—on fear. Forgetting that this feeling acts destructively on everyone: on both the one who is the subject of fear and the one who is causing the fear.

[Sharov] Are there alternative drafts of the Criminal Procedure Code?

[Pashin] Yes. Its alternative draft is being composed in the Ministry of Justice. At one time, they developed a draft Criminal Code there, but happily, it failed while in the Supreme Soviet. Now they have set about regulating criminal proceedings. This is a renewed variant of the old Criminal Procedure Code. It contains the very same logic of repression, the evidentiary base has not been worked out, there is no alternative investigation....

[Sharov] Do you not think that the "order" will be transferred to the Ministry of Justice?

[Pashin] This is a question of a political choice. But we assess our chances as not bad. In the final analysis, it was our concept of judicial reform that was adopted. You cannot establish a Criminal Procedure Code without taking it into account. We also feel that we have the support of the president's team.

[Sharov] Perhaps the touchiest question: What kind of people will carry out the new Criminal Procedure Code in Russia?

[Pashin] I hope that by the time the code goes into force, we will have succeeded in establishing an infrastructure of support inside the judicial and prosecutorial corps. And, first of all, in places where juries are functioning and will be functioning. The lawyers who have already "had a taste" of this court immediately become propagandists for the legal, civilized approach to criminal proceedings. In any case, judicial authority is beginning to understand that it has a purpose other than to fill colonies with convicted persons. It is something else! Immeasurably more noble and interesting. And the public prosecutors with the investigators also began to accommodate themselves—in a good sense—to the proceedings associated with a jury. No matter what is said, our jurisprudence has already been given other standards.

In addition, it should not be thought that the new Criminal Procedure Code will immediately go into effect entirely over the whole territory of Russia....

[Sharov] What does this mean?

[Pashin] It is impossible to implement all of its provisions at once. Let us say, court control over the execution of sentences. For this it is necessary gradually to change the organization of work of the judicial and prosecutorial organs, which will require both time and resources. We have specially developed a number of transitional norms, which will be reflected in a special law on putting the Criminal Procedure Code into effect. But some of the provisions of the Criminal Procedure Code in a number of Russian regions will not be used at all. There is no need to fear. We are simply facing facts. It will hardly be possible to introduce juries in the near future where there are strong Shariya traditions or tribal relations. There is nothing you can do: A special sense of justice has set in there, and it is based on other principles, and on different values. Formally, the Criminal Procedure Code can "embrace" the whole country. But what is the point? What will start is the mimicry that we are very familiar with. And, indeed, in the rest of Russia the process of change of legal guidelines will not occur very easily. It is painful. The average citizen understands this intellectually: Everything must be according to the law, and the court must judge and not punish. But still nestled in our hearts is the Bolshevik concept of "revolutionary expediency," and, indeed, the state will not give up its supremacy in relations with the citizen immediately. The

jury can be looked at as a unique bridgehead, won by a new sense of justice. The new Criminal Procedure Code should expand this bridgehead substantially.

REGIONAL AFFAIRS

Tatarstan Soviet Chairman Visits Turkey

944F0841A Kazan IZVESTIYA TATARSTANA
in Russian 17 Jun 94 p 1

[Report by TATAR-INFORM agency staff correspondent Zhanna Khidiyatullina: "Culture, Language, Business—All Bring Us Closer, Is Turkey's Opinion of Tatarstan"]

[Text] The second day of the Tatarstan parliamentary delegation's visit to Ankara has come to a close. At the airport, the deputies were met by representatives of the Turkish capital's municipal authorities, businessmen, and members of the Russian Embassy. In the morning, the chairman of Tatarstan's Supreme Soviet met with Hikmet Cetin, the Republic of Turkey's minister of foreign affairs, and his deputy Bilyal Cemsar.

"Ties between Russia and Turkey go back 500 years. This rich history has included both wars and friendship. We appreciate the fact that our relations have been good for many years now. This is important not only for our two countries, but for the entire of Europe," said Mr. Hikmet Cetin. "The contacts between Turkey and Tatarstan are a recent development. But we have always known that a kindred nation lives in your republic. Everything brings us closer together—culture and language, and now, thanks to the private sector—to be precise, the Degere Enterprises company and the Tatars SP [joint venture]—also business. The time has come that makes it necessary for our politicians to support our citizens' desire for friendship. We want very much to have a Turkish general consulate to open in Kazan, and for the staff of Tatarstan's trade and economic representation to come to Istanbul."

Responding to the Turkish minister of foreign affairs, who received Republic of Tatarstan's [RT] official representatives for the first time, the chairman of Tatarstan's parliament said:

"I think this is only the beginning of our work together. Tatars is no longer the only company representing Turkey's business circles in Tatarstan's market. The Mencil construction company already has gained an excellent reputation; the exhibition of the Koc holding company's products was a great success. More than 100 of our children are studying in Turkey, and 70 talented Turkish educators are teaching in our colleges. Close contacts also have been established between scientists of our republics. We hope that in the very near future an information bridge will be established between Tatarstan and Turkey, since we are opening in Istanbul a bureau of the republic information agency TATAR-INFORM."

Many warm words were said by representatives of both sides during the meeting.

Immediately after the meeting, Farid Mukhametshin and the Republic of Tatarstan parliament's deputies laid flowers at the mausoleum of Mustafa Kemal Atatürk—the first president of Turkey. Much has changed in this country since his death. But the people revere the memory of the man who has compelled everyone to make most decisive steps in the direction of reform.

Delegation members were able to visit the Mustafa Kemal Museum, which houses many lovingly collected personal items and gifts from political figures of many countries for the president who, during his 15 years on the job, had never traveled outside his country. He felt, however, that his most precious award was the Turkish parliament's medal and the title of marshal. One has to admit that such caring attention on the part of Turkish citizenry to their history was a pleasant surprise.

Actually, current events get no less attention from the people. Tatarstan envoys were told about this in Turkey's Grand National Assembly. Its chairman, Husamettin Conдорuk, in his greeting to the Republic of Tatarstan Supreme Soviet Chairman Farid Mukhametshin, noted the importance of our delegation's meeting with the minister of foreign affairs. He said that the Turkish Government is attentively studying and preparing the analysis of the main directions in restructuring Tatarstan's economy. At the request of the Tatarstan parliament's leadership, specialists are currently translating the Republic of Turkey's law on election.

"We will be happy," he said, "if you can make use of our experience of holding parliamentary elections on a multiparty basis."

Farid Mukhametshin presented Mr. Husamettin Conдорuk with a gift—a landscape painting. Having thanked him for the gift, the Grand National Assembly chairman explained that it is doubly precious to him since his wife is a Tatar from Kazan. Now he is looking forward to endless but pleasant discussions and reminiscences at home.

A few minutes after the meeting ended, Farid Mukhametshin conducted talks with Minister of Education Ayaz Nevzat. It looks as if its results will be good news for many people. Beginning next year, 200 persons will be able to get education at Turkish schools. Actually, the Turkish Government will pay them a stipend. It is possible that the next step will be Turkish students coming to study in Tatarstan.

The day ended with an interesting conversation in the Russian Federation Embassy with the Acting Charge d'Affaires Aleksandr Chichkarev. State television's information program broadcast material on the Tatarstan parliamentary delegation's visit.

Tonight Tatarstan's delegation will meet with the President of the Republic of Turkey S. Demirel.

This is the first report sent from Turkey by a TATAR-INFORM agency staff correspondent. The TATAR-INFORM bureau is located in Istanbul.

Tatar Delegation Continues Turkish Visit

944F0845A Kazan IZVESTIYA TATARSTANA
in Russian 18 Jun 94 p 1

[Report by TATAR-INFORM agency staff correspondent Zhanna Khidiyatullina: "A Kazan Hat for Turkish President"]

[Text] On 16 June President of Turkey Suleyman Demirel received in Ankara the Tatarstan delegation headed by the Republic of Tatarstan [RT] Supreme Soviet Chairman Farid Mukhametshin.

Suleyman Demirel had spent the four preceding days at military exercises in Aegean Sea and naturally was very tired. Nevertheless, the meeting took place at precisely the appointed time. The escort of police cars accompanying the delegation turned in the direction of the presidential palace, and at precisely 1900 on 16 June Suleyman Demirel shook the hand of each of us, greeting us with the traditional "Hos goldenses" (Welcome).

"We are very glad," he said, "that with each passing day the relations between Tatarstan and Turkey become increasingly more intensive. I already know well both your President Mintimer Shaymiyev and Prime Minister Muhammad Sabirov. I am very happy to finally also meet now the head of the parliament and the deputies. We are already linked by trade-economic and cultural relations, and we are sincerely interested in developing them. Let us think together what we need to do for our brothers in Tatarstan to have a good standard of living and take their proper place in the modern world as quickly as possible. Once again, welcome. Make yourselves at home in our country."

Farid Mukhametshin thanked for the warm words and summarized for Suleyman Demirel the meetings that had taken place during the first two days of the delegation's work in Ankara, and the first results. In addition, he thanked the Turkish president for his personal involvement in resolving the problems of students from Tatarstan.

"For Turkey, these are our children. Do not worry for them. We understand that they can bind our countries together for many years to come," replied Suleyman Demirel.

In the presence of journalists, Farid Khayrulloevich presented Mr. Demirel with gifts made specially for him: a painting depicting the Kazan Kremlin and a fur hat made at the Melita association in the capital of Tatarstan.

Continuing the conversation, Farid Mukhametshin said that the Republic Tatarstan Government is grateful to the Russian Federation under the guise of economic

Mr. Erturk Deger—the first major Turkish businessman who paved the way to the Tatarstan market. Turkey is ready to develop relations with the Republic of Tatarstan along all lines, emphasized Mr. Demirel in reply, especially considering that all preconditions for it are in place. At the same time, the Turkish president said that Tatarstan should continue developing relations with the Russian Federation.

"Well, we know very well the republic leadership's ability to resolve all problems peacefully," he smiled.

Continuing on the subject, the RT Supreme Soviet chairman related the results of Boris Yeltsin's visit to Tatarstan. Among them he mentioned the possibility of opening a Turkish general consulate in Kazan.

"So Russia does not object?" asked again Suleyman Demirel. And, having received confirmation, remarked: "This undoubtedly will help our rapprochement."

To the proposal of RT Supreme Soviet Chairman F. Mukhametshin to send Turkish students to study technical and natural sciences in Tatarstan colleges, Suleyman Demirel immediately replied:

"Our kids will be happy to come and study there."

At F. Mukhametshin's request, the president of the RT Academy of Sciences, Mansur Khasanov described close and increasingly intensive contacts between Turkish and Tatar scientists. Until then the conversation had been conducted in Russian and Turkish. Mansur Khasanovich began to speak Tatar. Having noticed this, Demirel said:

"I can understand you very well. I think that after three days of contact, we would have no language problem."

After that we learned that a new dictionary is in the works. This should quickly help all Turkic people to better understand one another.

"I remember how, about 15 years ago, I met with the Tatar diaspora in Helsinki. Five hundred Kazan natives for many years preserved the language, the ethnic customs," Mr. Demirel told us. "Now Tatarstan has all the conditions to develop these values. If Turkey can help in any way in this, we will be happy to do so. Of course, our parliament members will also visit Tatarstan. Let this door in our relations remain open."

On this optimistic note, the official part of the meeting ended. Then Mr. Demirel proposed that the meeting participants pose for a souvenir photo.

Soon after the meeting in the presidential palace, the delegation of Tatarstan parliament member left Ankara for Istanbul. There is much work ahead.

Justice Minister on Gangsterism Edict

944F0845B Kazan IZVESTIYA TATARSTANA
in Russian 18 Jun 94 p 1

[Interview with the Republic of Tatarstan Minister of Justice Albert Salabayev, by IZVESTIYA TATARSTANA correspondent Ayaz Khasanov; place and date not given: "Albert Salabayev: 'Boris Yeltsin's Edict Is Not in Conflict With Tatarstan's Law'"]

[Text] As is known, on 14 June the Russian Federation [RF] President Boris Yeltsin signed the edict "On Urgent Measures of Protecting the Population From Gangsterism and Other Manifestations of Organized Crime."

Since the Republic of Tatarstan [RT] already has in effect the law "On Emergency Measures in Combating Crime," which, as it turned out, is much milder than the RF president's edict, our correspondent attempted to find out from the RT Minister of Justice A. Salabayev what the legal aspects of applying the new document are.

[Khasanov] Albert Mikhaylovich, what is your appraisal of Boris Yeltsin's edict?

[Salabayev] It is difficult to instantly give an unequivocal appraisal. To a certain extent, we can speak of exceeding the powers. Point 1, which says that persons may be detained for up to 30 days, is an intrusion into the current law.

Had it been a law rather than an edict, such questions would not arise.

[Khasanov] Then the law rather than the edict would be in conflict with the Constitution.

[Salabayev] Why? The RF Constitution mentions that restrictions may be set by law. The same goes for our Tatarstan Constitution, which has Article 26, stipulating that citizens are guaranteed immunity and that no one may be subjected to arrest, deprived of freedom other than on the grounds envisaged by law.

[Khasanov] All right. But in the text of the edict we read: "....a pledge not to leave town, personal guarantees, public organizations' guarantees, and bonds are not applicable....to suspects; they may be detained for up to 30 days...."

[Salabayev] You have to keep in mind here what kind of suspects. The persons in question are those participating in gangs or organized criminal groups, where the roles already are assigned.

[Khasanov] It is no secret that ours is the kind of country where everything can be abused. And judging by the edict, "preliminary audits of financial-economic activities, property and financial status may be conducted with respect to not only this person, but also relatives or other persons living with him over the period of the past five years...."

[Salabayev] Again, only when there is enough evidence that this person is a part of a gang or other organized criminal group. Frankly, this is the first time I have encountered the wording "over the past five years."

Why is it that only the negative things are noticed in the work of the law enforcement organs? The law that is currently in effect in Tatarstan does contribute to stabilization of the situation. At least quite a few weapons have been confiscated on the roads. It is also a fact that many heads of criminal groups have left the region.

Let us go back to the edict. The suspect has a right to an attorney; he provides explanations, presents evidence, files petitions—that is, he has a whole list of rights defined by the law. Not by edict, but by the law. And if the suspect believes that he was detained illegally, he may turn to the court. And then the court will make a decision whether he had been detained properly or not. And in any case, the matter will go through the court.

[Khasanov] Yeltsin's decree says that "banking confidentiality and commercial secrets do not constitute an obstacle for obtaining....information and documents related to financial and economic activities.... Authorized representatives have the right to inspect the building and facilities of enterprises and organizations regardless of the form of ownership, and inspect the documentation...."

[Salabayev] This, of course, is an intrusion into the province of the law. But again, not for everyone, but only for certain organs. So that their suspicions could be confirmed or disproved.

[Khasanov] Is there no way to request documentation other than to open someone's safe, scoop out the contents, and take it away?

[Salabayev] Obviously, procedures should be defined as to how this will proceed. We already have in effect the Criminal Process Code [UPK]; there is a notion of search and removal. And I do not think that additional clarifications will contain something that will conflict with the UPK. But we are somewhat jumping ahead of ourselves in this part.

[Khasanov] The session of the Tatarstan parliament just ended, where the question of extending the effect of the republic law "On Emergency Measures in Combating Crime" was debated. If our law were suspended, is it not true that Yeltsin's edict would have no legal force either?

[Salabayev] But our law does remain in force, and we need to be guided first and foremost by it. Yeltsin's edict contains point 3, which instructs the RF general procuracy, the MVD [Ministry of Internal Affairs], and the FSC [Federal Counterintelligence Service] to develop within 10 days and send to the heads of subordinate bodies a joint instruction on the procedures of practical implementation of the edict's provisions.

[Khasanov] Does this mean that we will have both the law and the edict in effect here?

[Salabayev] Only the law is in effect on the territory of the Republic of Tatarstan.

The edict is not in conflict with our law; in a certain way it takes further some of its provisions, and therefore may be applied by our law enforcement organs.

Chuvashia President Interviewed on Current Objectives

944F0811A Moscow OBSHCAYA GAZETA
in Russian No 22, 3 Jun 94 p 8

[Interview with N. Fedorov, by Yelena Dikun, Cheboksary-Moscow: "A Merchant's Grandson in the House of Soviets"]

[Text] In April of last year, as he left the position of Russian minister of justice, Nikolay Fedorov assured journalists that he had taken his final leave of politics. He promised, "I'm going to become a lawyer." But not even a half-year passed before the ex-minister became the president of Chuvashia. What is this? Return to "familiar territory" or a trampoline for a new leap into big politics?

[Fedorov] I'll tell you candidly that I never wanted to go into politics and today I am taking part in politics, so to speak, under force. The fact of the matter is that I am from a family of merchants. My grandfather and father could never reconcile themselves to the injustice that was allowed with respect to freedom-loving people and property owners. That was passed on as inheritance to me. By nature I am a rebel and, inasmuch as I am accustomed to fighting, I have found myself in politics.

[Dikun] At one time Grigoriy Yavlinskiy, who had found himself in disgrace, attempted to return to the Moscow establishment by way of Nizhniy Novgorod, but, unfortunately, everything was limited to the writing of a book. Then Yevgeniy Saburov went to the Crimea, and Gaydar began reforming Yaroslavl Oblast. Isn't this the same situation with you?

[Fedorov] As for my friend Grisha Yavlinskiy, for whom I have great respect and whom I cherish, in 1990 he, I, and Boris Fedorov came to an agreement: if we left the government, it would be together. At that time the three of us together had power: we could guarantee or, conversely, block the making of any decision. However, Grisha deserted us—he left without telling us he was going. It seems to me that, on his part, that was a weak move. Unlike Grisha, I had an opportunity to be part of four governments and held on until the last one. I had many serious, confidential conversations with Boris Nikolayevich [Yeltsin]. In his office he always supported me and agreed with me. But, as often happens, all of this subsequently disappeared. In the final analysis the moment came when I actually was removed from real-life politics. My opinion no longer meant anything. Essentially speaking, the OPUS (Ed. note: the president's edict concerning the Special Procedure for Administering the Country) was the last straw. It was senseless to remain any longer. Unlike another colleague of ours,

Sergey Mikhaylovich Shakhrai, I did not issue an ultimatum to the president. That is his method, but for me that is unacceptable.

[Dikun] I would like to know whether, if everything had turned out favorably in Moscow, you would have remembered your homeland. Because in 1991 you were approached by emissaries from Chuvashia who urged you to run for president...

[Fedorov] There really were a lot of emissaries, and very different ones. But I did not agree. You might recall that that was 1991. The union had come to an end. The Gaydar government was only just beginning. There were a lot of plans... It seemed to me that at that moment, in the position of federal minister, I could exert a real influence upon what was happening in the country—including in Chuvashia. Incidentally, at that time I asked Boris Nikolayevich for advice with regard to this. He said, "But who will I be left with?" Then he said, jokingly, "Well, you really could hold two jobs simultaneously. The technology exists whereby you could stay in Moscow as minister of justice and also administer Chuvashia." After that conversation I officially refused to run for president. The election failed...

Later on, when I left the government, a golden age began. I was freed from state discipline. I had my name, authority, and ties. I was well received in the West. I worked at the Moscow board of lawyers, and began earning a very large amount of money. During my lunchtime I would play tennis two or three times a week, or swim, or take karate lessons. I got thinner and in better shape. Now that's real life!

[Dikun] But you left all that? Why?

[Fedorov] There is no simple answer. Once again emissaries from Chuvashia approached me. At first I immediately showed them the door. But a person really has to experience this situation himself in order to understand how difficult it is to refuse people. With every passing day it became increasingly more complicated for me to do this. So finally I said "yes."

[Dikun] Chuvashia used to be considered a conservative region. How did you, as a democrat, manage to bypass your local rivals?

[Fedorov] The Communists and agrarians officially spoke out against me and, curiously, they were supported by the Union of Chuvashia Entrepreneurs. However, unlike my opponents, I did not promise my constituents mountains of gold: work for all the unemployed, or housing for the homeless. I openly said: the only thing that I can guarantee is that you will not be afraid of anyone—not the president, not the minister, not an official—but will be subordinate only to the law. I saw how intimidated the people were here, I saw them shaking in front of the local administration. As a jurist, I believe in the indisputable supremacy of the law, and that is the only thing that can govern society. That is probably why I won.

When you go from Moscow to Cheboksary, it seems that time has turned back, and things are like they were about five years ago. The names of the main streets—Ulitsa Lenina, Ulitsa Marksa, Ulitsa Engelsa... In front of the House of Soviets (where the president and the government are now ensconced), as is proper, there is a monument to the leader of the world proletariat. There is also a bust of Feliks Edmundovich [Dzerzhinskiy]. In a word, everyone is in his proper place...

[Fedorov] It is necessary to take into consideration the mentality of the local people. It is a different mentality than that of, say, Moscow or St. Petersburg. In general I take a very respectful attitude toward history. Whatever its pages may be—bloody, white, or black—it is our history. I do not accept unbridled destruction, and that is probably why I do not make any sudden bodily movements.

[Dikun] But have you decided what you will build in Chuvashia—capitalism or socialism?

[Fedorov] We are building and will continue to build housing, roads, schools, hospitals, and enterprises. For example, hops have been grown in Chuvashia for centuries. Eighty-three percent of the entire hops production in Russia belongs to us. Therefore we decided to create on our territory a financial-industrial group that would unite the efforts of hops growers, brewers, and bankers. This will yield a very rapid turnaround for funds.

My first presidential edict logically evolves from my election platform—it pertains to the measures to guarantee law and order in the republic. For example, we intend to fight alcoholism not by way of a system of bans, but by way of the development of physical culture and sports. This may be more expensive, but it will have a different result. Incidentally, during the past few months there has been a noticeable decrease in crime here: street crime, by 20 percent; robberies, by 30 percent, and the crime disclosure rate has risen by 16 percent. I monitor these questions personally.

[Dikun] Recently the president of Russia said that now he "senses Chuvashia." What would that mean?

[Fedorov] Apparently the president has begun "sensing" us because we do not ask Moscow for any material blessings. We have our own projects. True, they involve small amounts of money, but they are realistic, and we are slowly and independently implementing them. When vice-premier Oleg Soskovets recently visited Chuvashia and I gave him a total of three of four messages to the federal government, he was extremely surprised. Because in Udmurtia, where he had been previously, he had been handed a whole book of papers requesting things from Moscow. It seems to me that it is improper and irresponsible to toss all one's problems, down to the smallest details, to Moscow. I just cannot do that.

[Dikun] The provinces have always been the trump card in the hands of Moscow politicians. First one side, then

another, will use that card to "cover" their political opponent. What opportunities do the provinces have for getting out of that game?

[Fedorov] We, for example, have openly stated that from now on we shall take a more conservative attitude toward instructional guides released from the federal center. That does not mean that we intend to engage in cursing matches with the Russian leadership. But Moscow and Chuvashia are very different worlds. Being out here on the spot, it is easier for me to see what should be done there and how, and therefore it is I who must formulate local policy. Only then can Moscow, in negotiations with me, decide what has to be done so that Fedorov can cope with his mission as reformer. But if you get into formation in front of Moscow and "stand at attention," you won't get anything. They will simply stop noticing you.

[Dikun] A new stage in the struggle for influence on the regional elite has begun. On the one side is vice-premier Shakhrai, and on the other, Council of the Federation chairman Shumeiko. Each one is drawing the provincial leadership to his side. Because of your official duties, you have to interact with both sides. How will you manage to maneuver between Scylla and Charybdis?

[Fedorov] I am protected from the federal leaders by the fact that I have no practical interest in any one of them. Realistically, they can exert influence and play their card only in those regions that allow them to do so. That means that there are leaders who sell themselves in exchange for subventions and subsidies from the budget.

In general, in my view, today's regional policy is ugly and unpromising. I link the formation of a fully valid state with the appearance of skilled, strong, independent professionals in the person of leaders of the subjects of the Federation. There may be about 10-15 of people like this.

[Dikun] And do you see yourself as one of them?

[Fedorov] (Long pause, smile.) In any case, I shall attempt to influence these processes from here, from Chuvashia. Incidentally, I suddenly discovered, interestingly for me, that, despite the tremendous difference in age, it is possible to find understanding with regard to many questions with the president of Tataria, Bashkiria, and the head of the Republic of Komi.

On Nikolay Fedorov's desk there is a snapshot. It shows a group of people at a home dinner party—Fedorov and his daughter, next to them Boris Nikolayevich and his wife, and Andrey Kozyrev. Everyone is embracing. There are smiles on their faces. "That was in 1992. I was at home for my birthday. All of us were still very close then," Fedorov states.

[Dikun] What relations do you have today with Boris Nikolayevich? Because you and he parted without affection.

[Fedorov] I have a rather large number of claims against Boris Nikolayevich. I particularly dislike certain of his decisions, and I censure many of his actions. But I cannot fail to take into consideration what he represents. In turn, he cannot fail to take me into consideration. Therefore we have normal, unspoiled relations. Boris Nikolayevich and I never cursed one another. He and I parted. Possibly I am too much of a "formal jurist."

[Dikun] However, that did not prevent you from following the footsteps of president Yeltsin: recently you signed an edict by which, in essence, you disbanded the old parliament. How does this differ from unconstitutional edict No. 1400?

[Fedorov] These are incomparable things. I did not disband the parliament, as Boris Nikolayevich did. In the law that was enacted by the Chuvash Republic Supreme Soviet, it is stated that the powers of the VS [Supreme Soviet] end on 14 March—the moment of the election of the State Council. In that edict I only stated officially the fact of the replacement of the deputy corps, as it were, explaining it once again for the slow-witted.

[Dikun] But the State Council does not yet have the necessary quorum—only 28 deputies have been elected, and 47 are needed. This is already the third time that the election has failed.

[Fedorov] What can we do? People are tired of elections. They do not go to the polls. Using force to drive them there does not make sense, and I do not have any desire to do that. I take a calm attitude toward this. Apparently it is necessary to have a long break. Despite the fact that the State Council has not gathered a quorum, I am inclined to taking it into consideration as a constitutional agency. The classical parliamentary questions—budget, taxes—will definitely be coordinated with the deputies. They will have sufficient powers to monitor the executive authority.

[Dikun] It is obvious that you still maintain close ties with Moscow. Do you resort to them frequently?

[Fedorov] If you mean the offices of the Kremlin and the government, then I do not see any practical sense in spending time visiting them. All these meetings "on the top" and even the positive resolutions that are enacted there do not mean anything. In 95 percent of the instances everything subsequently drowns in the president's administration and the government's apparatus.

[Dikun] What does the Russian government look like to you, as seen from the provinces?

[Fedorov] Nothing good is happening in Moscow today. Almost all the ministers and vice-premiers with whom I meet mention the unpromising nature of their situation. Almost no one actually does anything. Practically everyone is engaged in preparing for the events that are expected in 1996. Whenever I go to the capital, most of the ministers have the basic topic: what political intrigues and configurations, from my point of view, are

most promising in the light of the forthcoming election. In a word, they want to predict who they should go along with in order to prevent finding themselves overboard. For some of them, this is linked not only with their political career, but also with the fear of losing material blessings.

[Dikun] Don't you intend to take part in this presidential race?

[Fedorov] For me this is not vitally important. It is probably necessary to live in the provinces in order to take a different view of 1996. Today the entire economic and social policy is being made in the regions that are subjects of the Federation. Believe me when I say that currently I have much more interesting work and much more optimism than I had during the last months of my work as minister.

Opponents suspect that Fedorov is only passing through Chuvashia. For a long time he lived in a hotel. Currently, he has received an apartment but his wife, son, and daughter remain in Moscow, and exchange visits with him. As we were saying goodbye, the president told me, "I have already decided that I will build a house. I have looked at a good location not far from Cheboksary, on the Volga. I'm going to let down my roots there..."

Galazov, Aushev Ponder North Caucasus

944K1491A Moscow LITERATURNAYA GAZETA in Russian No 23, 8 Jun 94 p 11

[Interviews with Akhsarbek Galazov, president of the Republic of North Ossetia, and Ruslan Aushev, president of the Republic of Ingushetia, by Vladimir Lyubitskiy; place and date not given: "North Caucasus: War and Peace"]

[Text] Having signed the Social Accord Treaty, North Ossetia and Ingushetia have embarked... the next stage of the state of emergency. The "parallel interviews" with Akhsarbek Galazov, president of the Republic of North Ossetia, and Ruslan Aushev, president of the Republic of Ingushetia, were an attempt to understand this contradiction and learn where the politicians' words and deeds are at variance.

[Begin box]

1. Politicians and public figures of Russia are evaluating variously the Social Accord Treaty and the possibility of really securing on this basis a solution of the problems of our society. You signed the treaty. How, in your view, may it contribute to a normalization of life in the republic? In other words, what hopes do you link with it?
2. Being a guarantor of the constitution of the republic, what do you see as being the specific mechanism of fulfillment of Section IV of the Treaty (support for the peoples' equal rights to their national development, support for national-cultural associations, a peaceful

solution of conflicts, the creation of a mechanism of realization of the Rehabilitation of Repressed Peoples Act, and so forth)?

3. It is commonly acknowledged that political and economic instability in the region is playing into the hands of criminal structures, which are actively impeding a normalization of the situation. What measures are being adopted by the republic authorities to combat organized crime and secure human rights and liberties, regardless of nationality?
4. Everyone understands that peace and harmony are secured not so much by official documents as by people's mutual relations, in day-to-day production, cultural, and social relations included. How may these contacts with neighbors be restored, in your view? How do you, bearing the responsibility for the discharge of the obligations that you have assumed, propose enlisting the constructive forces of the republic in realization of the treaty?

[End box]

Journalist Vladimir Lyubitskiy put four identical questions to both presidents. But the conversation went beyond the framework of these questions.

Akhsarbek Galazov: 'My Republic and Russia Are Inseparable Concepts'

"The soil for the idea of civil accord in the republic was prepared long since. In any event, I took to the presidential elections the slogan: 'Via the consolidation of the healthy forces of society toward peace and the progress and prosperity of North Ossetia.' And if we have succeeded under the very difficult conditions in preserving the stability of society, it is perfectly obvious that it is thanks to the capacity of the representative and executive authorities and parties and public movements for mutual compromise. For difficult decisions were required. The first refugees appeared here in November 1990, when national extremists under the leadership of Zviad Gamsakhurdia incited Georgia's conflict with South Ossetia, then the tragedy of the territorial confrontation with the Republic of Ingushetia erupted....

"Concerning the treaty signed in Moscow, I have from the outset been in absolutely no doubt: Any step toward the unification of social forces must be supported. That the document, whatever it is, does not in itself deliver us from the need to tackle the most complex problems that have built up over the years is another matter. Remember if only the business of the signing of the Federal Treaty. For it also was perceived ambivalently. But if in spite of the aspirations of the leaders of certain national movements we succeeded in preserving Russia, a significant role was performed here by the Federal Treaty. So now also: All who signed the Social Accord Treaty must not walk away from the serious issues but should seek together answers and solutions from which Russia as a whole will benefit. Otherwise this will be an empty piece of paper, of which there have been many."

[Lyubitskiy] But it is said that in signing in the treaty you inserted an amendment, that is, a reservation, with regard to the interests of Ossetia....

[Galazov] When I speak of North Ossetia, I always mean Russia. These are inseparable concepts. And the amendment pertains to Section Four of the treaty, "National Relations," and reads as follows: "Omitting the final paragraph of clause one"—which deals with the creation of a mechanism of realization of the Rehabilitation of Repressed Peoples Act.

What was the reason for it? First, there is no need to mention laws adopted previously in such a treaty. Why make an exception for this? Second, we are dealing with a law that is contrary to the Constitution of the Russian Federation and that has not been worked out in full. It was Articles 3 and 6 of this law—concerning territorial rehabilitation—that together with other factors brought about the tragedy that is today called the Ossetian-Ingush conflict. Territorial rehabilitation is a nonsense, there has been no such thing in world legal practice. And, not having revised the law itself, speaking about the formulation of a mechanism of its realization would mean, in fact, that we were not leading people toward accord but engendering new disagreements.

[Lyubitskiy] But now, you will agree, had there been such repression in respect to entire peoples. A people driven by the will of the authorities from their long-occupied haunts and deprived for many years of the possibility of developing their economy, culture, and science should, finally, have this right?

[Galazov] The Rehabilitation of Repressed Peoples Act is, on the whole, humane, but one injustice cannot be rectified by another. Think about it: Cossacks lived on this land for many years. Twice they suffered repression—in 1918 and 1922—some were wiped out, the rest were forced to flee. These villages were then settled by the Ingush, and they lived here until 1944, after which Ossetians from Georgia and Russians from Russia were herded together, literally, here—also forcibly! An injustice was perpetrated in relation to these people also: They abandoned their homes, to which they never returned. As of 1957, however, all the necessary conditions were created for the Ingush, who had begun to return here. I was minister of education at that time and I know, for example, that more schools were built in this part of Prigorodnyy Rayon than were built throughout the rest of North Ossetia. There had been no cultural centers, gas supply, mains water, or electricity here at the time they were evicted—we gave them all this. And what is characteristic is that whereas in 1944 little more than 2,400 Ingush were evicted from Vladikavkaz, by the time of the tragedy—October-November 1992—15,000 were living here.

[Lyubitskiy] In other words, the treaty cannot, in your opinion, serve as the basis for a resolution of the territorial conflict?

[Galazov] I believe generally, as the treaty records, that all mutual territorial claims should be excluded. After all, if we go in depth into the causes of the conflicts that it is now customary to call interethnic, their roots lie in the aspiration to territorial redivisions. Take the problem of the Ossetians in Georgia: The Ossetians believe that this is their historical home, Georgian national extremists are trying to prove that the Ossetians are a parvenu people and that Georgian territory needs to be purged of them, therefore.

...No, unless we remove the territorial question forever, we will bring Russia not to accord but to broad-based civil war. It is very hard today to determine where the historical home of the peoples who live on this land is. And their second great migration must not be triggered.

[Lyubitskiy] In this case does this mean a moratorium until 1995 in the resolution of territorial dispute between the Republic of North Ossetia and the Republic of Ingushetia specified by a federal document?

[Galazov] I am an opponent of all moratoriums. A moratorium is a temporary phenomenon and means that people are shifting a problem onto those who will come in the future.

We have already demolished all that we could as it is. And it is time to tell people the truth. First, that until we establish new, horizontal relations in place of the severed vertical relations and until the executive authorities assume support for the economy, we shall not until then extricate Russia from the crisis. The next truth is that, despite the possibility of the revision of borders with the consent of the corresponding components of the Federation recorded in the Constitution of the Russian Federation, in actual fact no republic and no oblast will cede its territory. And whoever brandishes the Rehabilitation of Repressed Peoples Act, neither the president, nor parliament, nor the Government of the Russian Federation are entitled to dispose of the territory of components of the Russian Federation. Finally, the truth also is that a problem cannot be resolved by extracting some part of it. To think that the problem of the North Caucasus may be resolved without consideration of the problems of the whole of the Caucasus is myopia. Can Abkhazia, say, be considered in isolation from Krasnodar Krai, Adygea, and Kabardino-Balkaria? Or Georgia and South Ossetia in isolation from North Ossetia? Take the Lezgian problem!...

Neither can Russia, I believe, develop economically or culturally in isolation from the Caucasus. Can you imagine Russian literature without the theme of the Caucasus? Without the Caucasus there is no Pushkin, Lermontov, Tolstoy, or Griboyedov. Without the Caucasus it is impossible to imagine Yesenin, Bulgakov, Serafimovich, Mayakovskiy, Tikhonov....

And if the problem is to be resolved comprehensively, it will be necessary to return also to the law on the formation of the Republic of Ingushetia. Before building a home, people throughout the world set aside a plot of

land for construction. But here a republic-state has been created without determination of the borders! Is this not paradoxical?

As far as our relations with the Republic of Ingushetia are concerned, were its leaders today to remove the territorial question, all the others would be solved also. We do not deny that, in accordance with the Kislovodsk agreements, citizens of Ingush nationality should return to North Ossetia, to their permanent places of residence. But they must return as citizens of North Ossetia! We have national cultural societies united by the "Our Ossetia" movement: Russian, Armenian, Greek.... We would undoubtedly support the creation of an Ingush national cultural center also. There is hardly anyone who believes that the Ingush, Balkars, or Chechen were treated right in 1944. I also, of course, condemn this inhumane act. But it is a question of a new tragedy being prevented.

[Lyubitskiy] In mid-May parties and social and political movements of the republic issued an appeal—a kind of local counterpart to the Social Accord Treaty. Does this mean that they are all united in their aspirations and goals in respect to the problem of the conflict?

[Galazov] Of course not. Otherwise there would be no need for such an appeal. It signifies first and foremost for our republic the formulation of a mechanism of realization of the all-Russia treaty. Second, this appeal emphasizes that the multinational people of North Ossetia do not conceive of themselves outside of Russia (we will this year, incidentally, commemorate the 220th anniversary of Ossetia's affiliation to Russia and the 210th anniversary of the city of Vladikavkaz). The appeal was signed unanimously by the representatives of all public forces, artistic unions, and religious creeds, other than the communists. Nor do they either have any objection in principle: We will not sign, they say, until the retirees obtain the appropriate guarantees, the teachers, a fitting wage, and so forth. But the purpose of the agreement is, having set aside the political "sabers," to get down to business and get the economy back on its feet and, on this basis, people's well-being....

[Lyubitskiy] Nonetheless, what contradictions in society seem to you dangerous for the accord? What worries you as president, as a guarantor of this accord?

[Galazov] People's trust is what is most important. If the people can endure 1994, I am confident that a new stage of the republic's development will begin in 1995. The main contradiction today, it seems to me, is the one between people who are thinking ahead and people who are living one day at a time. It is the nerves of these people that might give out. But Russia and the federal authorities should have faith in us and stop looking at us only through the prism of the Ingush or South Ossetian tragedy. We have immense industrial potential and unique natural resources, and no other republic has such intellectual potential. And were we to set all this in

motion, the Republic of South Ossetia could be converted into a subsidy-free republic, into a prosperous corner of Russia.

[Lyubitskiy] But trust is conditional upon more than just economic relations. In the light of the 220th anniversary of Ossetia's affiliation to Russia, some people are particularly puzzled at how the decisions of the federal authorities concerning, specifically, the illegal militarized formations and the return of the refugees, are being carried out in the republic. In other words, we are talking about the law-abiding character of the local authorities.

[Galazov] A people can only be law-abiding in a state in which the law is effective. And I can reproach neither myself nor my colleagues with not executing federal laws. Moreover, since the very time when I became leader of the republic, we have been trying to persuade the leaders of the Russian Federation and all our neighbors that relations need to be built on the basis of the Constitution of Russia. Had we been listened to, there would be no Article 6 of the Rehabilitation Act—we objected to it. Nor would there have been a law on the formation of the Ingush Republic without an indication of its territory—we cited at that time also the current constitution and Article 80. And while having declared our support for the idea itself, we observed that the formation of the Ingush Republic without determination of the territory could be grounds for tragedy, which is what, in fact, happened.

So who broke the law? Ossetia or those who make such laws?

Clause one of President Yeltsin's edict of 12 December 1992 enshrines the territory of Prigorodnyy Rayon as part of the territory of North Ossetia. And we representatives of a law-abiding republic say: Let us proceed from this clause one—and there will be no problems.

We have long been insisting that a political and legal evaluation of what happened be made because criminals cannot equally be made of the two victims. To say that we are not executing Russian laws is rubbish. Now the decisions of the Congress of People's Deputies and the government on the abolition of the people's volunteer corps. We created them in response to what was happening around us—in Chechnya, where the Russian Army had literally been undressed and where gangsters had been released from prison and armed, or next to us, in Ingushetia, where, in Nazran (KOMSOMOLSKAYA PRAVDA wrote about this) young boys were selling at the market, like sunflower seeds, weapons, pistols, machine guns, assault rifles. Later, despite the objections of many fellow citizens, we rescinded the Security Act, disbanded the machinery of the Security Council, and converted the people's volunteer corps into the Administration for Guarding Facilities of the National Economy, which, following recertification, will become part of the MVD. For what are we being reproached? We are consistently abiding by the constitution and the laws

of the Russian Federation, but the conditions under which the laws are executed need to be taken into consideration also.

In accusing us of law-breaking, people would like to create the opinion that the leadership of the Republic of North Ossetia is not in control of the situation and that direct presidential (federal) rule should be introduced here. God forbid that this happen! First, the people would not accept direct presidential rule, and I, as a president elected by the people, would head a national liberation movement.

Second, could such complex problems as, for example, the problem of refugees be resolved by direct presidential rule? On the contrary, a new category of refugees would emerge—when the entire Russian-speaking population would have to leave here. And, third, just see how the constitution and the laws of the Russian Federation are being executed in Moscow and St. Petersburg. We could even serve as an example in this comparison, I believe.

[Lyubitskiy] Yes, plainly. The last question. You are right to say that peace and accord are secured not by documents. They are secured primarily by people's relations—industrial, commercial, cultural, social, and so forth. Let us imagine that the negotiating process proves more successful and that a satisfactory solution is found. Are you not afraid that the public consciousness of Ossetia that has taken shape as of this time would simply reject neighbors as citizens of the Republic of North Ossetia? In other words, will it be possible to overcome the bitterness, suspicion, and interethnic animosity that have already been accumulated?

[Galazov] I am not afraid of this. Because the path that we propose does not begin with solutions. Mikhail Sergeyevich Gorbachev declared a revolution from above, you remember? This is an anomalous phenomenon, there is no "revolution from above." With us, in order that the public consciousness might function for good, it should be molded from below.

Here's a fact. Despite the tragic events, the village meeting in Dachnyy recently adopted the decision to allow the return of six Ingush families that had committed no crimes. This is the path we must take—there is no other. If some people think that Russia could bring back people with the aid of the armed forces and post a submachine gunner or armored transport vehicle at each home, this is no solution. The way to peace is long and difficult, but it has to be negotiated. Could anyone in 1945 have imagined that the head of the Russian state would call the German Kohl his best friend? He would have been hanged! But this is the point we have reached. There are no fast tracks here either.

Falling into the abyss is easier than clambering out. But... this has happened. So we have to clamber out gradually, without undue bustle. And necessarily together.

Ruslan Aushev: 'The Center Is Simply Evading Responsibility'

"If we truly had a state based on the rule of law, no social accord treaty would be necessary: just comply with the constitution and the laws. But we are only en route to the goal. The treaty is necessary to emphasize our responsibility to ensure that all the accumulated problems—in the economy, interethnic relations, the social sphere, the army—be resolved peacefully. After all, one feels sorry for a country, for a people, whose fate is that of moving from one revolution to another, from one civil war to new conflicts. People have always suffered on account of the laws not having been fulfilled and of their elementary rights having been violated. And I had no doubts when it came to signing the treaty, especially since it took account of all that we had proposed. Specifically, the fact that a mechanism of realization of the Repressed Peoples Act will be devised.

"As I see it, the Social Accord Treaty is a kind of lesser constitution. Unless it functions, the constitution will remain merely a declaration also.

"There is reason to fear this, unfortunately. In any event, when people in Ingushetia ask why the decisions adopted by the federal authorities in connection with our conflict are not being implemented, I, as president, have no explanation for this. One edict is adopted, another, a third, every two months the state of emergency is extended, and nothing changes. And the edicts themselves are adopted in haste, what is more. After all, not all deputies know about our situation and are guided by the 'don't make matters worse' principle: better an edict than bloodshed. But, essentially, the tension is being preserved, the mutual tally of killings and blood is gradually growing, and the situation is becoming inflammable.

"Under these conditions the Social Accord Treaty is a means of cooling passions and starting the road toward peace. There should be accord in Prigorodnyy Rayon, there should be accord in Nazran, there should be accord in Vladikavkaz. The president of the Republic of North Ossetia should ensure it at home, I, in my home. All that is needed is a restoration of human rights, regardless of nationality."

[Lyubitskiy] But for how long can people live under state of emergency conditions? Some accord—with bayonets and tanks!

[Aushev] No one is solving anything! Specific steps are needed, but the center has opted for other, flawed, tactics—"settle things locally." But this is simply to evade responsibility because what is needed is a political evaluation of the conflict and a legal basis of a way out of it. That is, the people who were elected to do so should determine where the truth lies. And say: President Aushev, you are wrong—this is what the constitution says, this is what the laws say. Or say: President Galazov,

you are wrong. We would act in consideration of this. But the failure to adopt decisions is leading only to the birth of new explosions.

It should be remembered that the present relative calm is only the appearance of such. Of course, people do not want to fight, they want to live in peace, but the patience of the refugees and orphaned families and the patience of the people—there is a limit to everything. And whereas people today have faith in us and are waiting, tomorrow there will be another leader, who will say: 18 months of negotiations have produced nothing. I propose that we act more resolutely. And, end of the accord!

[Lyubitskiy] But, you will agree, when a conflict is in fact taking place at the domestic level and when each of the victimized families has its bill to present to the other side, some sweeping decisions truly could be harmful....

[Aushev] We are not talking about sweeping decisions. People need the truth. All authorities are harmed by two principal shortcomings—when the authorities are not understood by the people and when they speak falsehoods. And note how our negotiations are going. One version, on which we rested our hopes all winter, was public diplomacy. What is being said in North Ossetia? In order for the peoples to be reconciled, they said, let us reconcile street with street, house with house, neighbor with neighbor. We took this path, but it was immediately politicized. I know how this is being done. A directive from the administration of a rayon arrives, and here a stockbreeder sits and begins to talk about "high" policy and starts to crawl into the kind of maze from which even he cannot extricate himself. Here's negotiations for you. Were people to have already returned to their homes and their streets and then, having gotten together in the evening on the bench, begun to talk—this would be a different matter. This would be real public diplomacy.

[Lyubitskiy] How independent of public opinion are you, as president, incidentally, in your decisions? And how far do you yourself "control" public opinion?

[Aushev] It is a mutual process, I believe.

[Lyubitskiy] That is, you are not entirely free in your policy line?

[Aushev] Not entirely, of course not. But I believe that my situation is somewhat easier than any other president's. The people are in trouble at this time, and in an hour of trouble, the people unite. In addition, I was not the leader of the republic when the fall tragedy of 1992 occurred and I can speak and act without backward glances at it. All who are in power today in North Ossetia were so in the fall of 1992 also. Many promises were given to various movements, parties, and groupings. These promises are now hanging on the backs of the authorities as a heavy burden. I promised no one anything, even when running for president. I take account of people's opinion, but can display my own will also, therefore.

As president of the republic, I must guarantee the rights of all citizens of the republic, regardless of nationality. Especially since, besides Ingush, approximately 12,000 Russian speakers and almost 11,000 Chechen, Turks, Meskhetians, and Armenians live with us....

[Lyubitskiy] The republic is not mononational, that is?

[Aushev] No, it is not. The constitution records two official languages: Russian and Ingush. We have provided the Russian-speaking and Chechen minorities in the National Assembly with three seats apiece. The vice president of the republic is a Russian, the heads of the Malgobek and Sunzha administrations, Russians also. Easter, which was a yardstick of accord for us, was celebrated in joyous and sacred fashion here, and all congratulated one another. Then the Muslims had the holiday of Ramadan—we were congratulated by the Orthodox Church.

Not everything is successful, of course: The republic is young. But... a peaceful resolution of the conflict is needed, there is no other way. Power methods should be reserved only for criminals.

[Lyubitskiy] Yes, we are all peaceful and go on and on only about peace! But just take a look at the map of Russia—it is ablaze along virtually all its borders. The key factor is there on the surface, of course—the long pharisaical-pompous and conservative-repressive nationality policy. But was a part not played also by the hastily adopted Rehabilitation of Repressed Peoples Act—with its article concerning territorial rehabilitation, but without a well-conceived mechanism of its realization? After all, other people live on the old territories now, and new relationships have taken shape. And their fate is once again being decided by voluntarism. Whence the conflict situations, initially at the domestic level, then at the interethnic level. The Social Accord Treaty makes provision for the formulation of the long-awaited mechanism. But do you see such?

[Aushev] Truly, many laws of recent years were adopted from political, even populist, considerations. The mechanism, if we are talking about our situation, is simple: We need to return to the situation that prevailed before the repression, that is, to the borders of 1944, when part of Prigorodnyy Rayon was a part of the Ingush Autonomous Oblast.

[Lyubitskiy] And what about the renunciation of territorial claims? Or the moratorium on all "redvisions" between North Ossetia and Ingushetia? How far does Article 11 of the Constitution of Ingushetia, where the return of the territories is elevated to the level of official task, correspond to the Constitution of Russia?

[Aushev] I agree with the moratorium decisions. And let us do everything according to the constitution. But let us also distinguish between territorial claims and that which was illegally taken away. A claim is an outsider's unsubstantiated demand. But the Ingush were deported

and forcibly made homeless. We have already abandoned part of Vladikavkaz as it is, agreeing that the borders have changed. Since such absurd decisions have been adopted, we have abandoned our former demands. And had the Ingush been told in 1944 "you will switch to the jurisdiction of North Ossetia" and had there been an act, I also would today be raising my hand. But people were driven out illegally! There is not even an act on the transfer of the rayon. Everyone, from the USSR Supreme Soviet on, has recognized that these actions were illegal. So let us record that both parties condemn Stalin's policy of deportation and assume the responsibility for doing away with its consequences. We need to proceed from the fact that, according to the Constitution of the Russian Federation, such matters may be decided by the Constitutional Court of Russia. Let it decide—I agree to this. But the Constitution of Ingushetia also is for me the basic law because it was adopted by referendum and it expresses people's cherished hopes. Man is made in such a way that he always returns to his sources. We will live on our land, all the same. The Ingush acquired their name in the 19th century from the locality of Angusht, which is now in Prigorodnyy Rayon and is called Tarskoye. What people would agree to the removal of their heart?

It is said that the territorial question is complex. True. But the state's strength lies in its capacity for solving difficult questions—I myself will cope with the easy ones. The federal authorities are neither resolving our problems themselves nor allowing us to do so. It is uninteresting living in a federation like this. It is interesting living in a federation when your voice is heard, when account is taken of your opinion.

[Lyubitskiy] Does this mean that you are prepared to fight for the return of Prigorodnyy Rayon at any price?

[Aushev] At any price, meaning by force, virtually? No! But I have to accomplish the mission that people entrusted to me when they elected me president: restoration of the rights of the Ingush people in full. This is recorded in our constitution. But I am not saying "tomorrow," I am not saying "the day after tomorrow"—it is the principle that is important.

The president of Russia has apologized to the deportees. No one was suspecting an apology to the people, but he made it! This is a great step. It is now a question complying with the laws, whether some people like them or not. And not of making the attitude toward the territorial issue, as is the case in Ossetia, the criterion of national patriotism.

[Lyubitskiy] About laws, incidentally. Under the conditions of instability, when there are thousands of refugees in the republic and when they lack accommodations and work and when there is a mass of personal weapons, a whole stratum of people that have no interest in a settlement of the conflict is emerging. Some are looting and dealing weapons and drugs. Others are making a

living out of hostage-taking. Yet others are "specializing" in killings on national grounds. The law enforcement authorities also know people that have in the course of the conflict committed crimes—violence, homicides, robbery. Are you not worried that the voluntary or involuntary indulgence of these elements is fostering further instability?

[Aushev] Truly, crime is a reason for the prolongation of the conflict. We have become enmeshed in mafia business: weapons, narcotics, and precious metals are moving in a great stream to the North Caucasus. Ask for a tank, you will be supplied with a tank, a grenade launcher, this also.

In the first quarter the MVD of Ingushetia, which is directly subordinate to the president, confiscated more than 100 weapons. But it should be considered that firearms—handguns, rifles—have been borne in Ingushetia down the ages. Heavy weapons—grenade launchers, machine guns, armored transport vehicles—need to be confiscated. The actions of the Provisional Administration and the power structures are needed for this, of course. And I said sincerely in the Military Council: Show me where there are such weapons and seize them.

It is said that we are concealing tanks in Chechnya. This is rubbish. We have no tanks. And why would a person want a tank to fight under these conditions? I state as a military man: Absurd! Who would engage in large-scale offensive operations here?

We agree, in general, to disarm, but not unilaterally. I myself have an interest in this: What commonsensical president would amass arms?

Further, you say that those who have perpetrated violence need to be put on trial. But we have not even begun to defuse the tension. Owing to the fact that the problem of the refugees and the missing has not been resolved, the tension is only increasing. And that a person looks not for a spade but an assault rifle. More than 100 persons have been killed in the time since the direct armed conflict. And this will go on, unless the process of the return of the refugees to their former places of habitation begins.

Whoever has killed, incidentally, would not return, be he Ingush or Ossetian. This would leave the investigating authorities free to act. There would immediately be a great stream of information—from people themselves. And the federal authorities should try the criminals—ours or others'. And not so much the "pointsmen," what is more, as those providing them with ideological inspiration. While this tension persists, no one will be giving away any of his own people. Even if force is used. The tension may be lifted only by constructive work, and it is this that is lacking.

[Lyubitskiy] Does it not seem to you that were, say, not the Provisional Administration but the law enforcement authorities of Ingushetia themselves to discover hostages somewhere and themselves to return them, punishing

those that had taken them, this would be a confidence-building factor and would serve as a stimulus to the Ossetian side?

[Aushev] We have returned them! Take a look at the Provisional Administration's archives! And quite recently we handed over two persons suspected of murder. Take them, certainly, only not to Vladikavkaz but to Pyatigorsk.

[Lyubitskiy] You mean that you have no intention of shielding "your" criminals?

[Aushev] Why so, what would be the point? When I came to Nazran, as president, there were in the basement of the residence about 400 hostages, including Sikoyev, a deputy minister of North Ossetia. I said: Hand them all over! Do not disgrace yourselves, do not disgrace me, do not disgrace the republic. And they were all handed over, the deputy minister included. Although I could have said: Detain him until all of ours have been handed over. But we returned them without any conditions. Because taking hostages is politically pointless—it brings nothing but trouble. I would hand over all with pleasure if I knew where they were.

[Lyubitskiy] According to the Social Accord Treaty, the president of the republic is the guarantor of its fulfillment on the territory of the republic. But the president is not God, he cannot do this alone, he needs to rely on people, on the community. Yet Ingushetia has neither parties nor social and political movements—they were banned by your edict. But this has not stopped people thinking! How will you decide on whom to rely in the achievement of accord?

[Aushev] I banned public organizations and movements in December 1992, as soon as I was appointed acting chief of the administration of the republic. And, as president, I confirmed this by edict. Why? Because there was no constructivism in these movements. There were mass meetings, but no one was helping in the fight either against crime or unemployment. And the meetings' organizers also were responsible for what happened, they were yelling slogans also.

Why should we copy everything in succession from others? Why is it considered that democracy necessarily means parties, some national front, some movements. The republic does not have these movements, and no one is demanding them, no one needs them. Highlanders have their own traditions of democracy. A person has been elected, for example, and we need to esteem him and consolidate around him. If you do not like him, elect someone else.

We have elders, a clergy. We have organizations—veterans', youth, women's, trade union. And, believe me, they function no worse than parties.

[Lyubitskiy] They could have subscribed to the signing of the treaty?

[Aushev] What would have been the point? The president has signed on behalf of the people!

[Lyubitskiy] That is, you discussed the treaty with them before signing?

[Aushev] Of course. There were representatives of all these organizations in the Presidential Council. And they were all unanimous: We need the accord to revive the nation and to build a prosperous republic on the land of our fathers.

Kabardino-Balkaria, Krasnodar Sign Cooperation Treaty

944F0832A Nalchik KABARDINO-BALKARSKAYA
PRAVDA in Russia 25 May 94 p 2

["Treaty of Friendship and Cooperation Between the Kabardino-Balkar Republic and Krasnodar Kray"]

[Text] The Kabardino-Balkar Republic and Krasnodar Kray, hereinafter referred to as the Contracting Parties, proceeding from the Russian Federation Constitution, the Federal Treaty on Delimiting Objects of Jurisdiction and Powers Between Federal Government Bodies of the Russian Federation and Government Bodies of the Sovereign Constituent Republics of the Russian Federation and Russian Federation Krays and Oblasts, seeking to establish and comprehensively develop economic, scientific-technical, and cultural ties, and pursuing the aim of strengthening friendship and mutual understanding among the peoples of the Russian Federation and of strengthening civil peace and ethnic accord in the North Caucasus region, have agreed as follows:

Article 1

To carry out economic, scientific-technical, and cultural cooperation between the Contracting Parties on the basis of equal rights, partnership, and mutual benefit.

Article 2

The Contracting Parties shall promote the creation of joint ventures and production and commercial structures, the maintenance and expansion of existing ones, and the establishment and development of new ties between enterprises, organizations, institutions, and economic and government agencies, within the scope of their competence.

Article 3

The Contracting Parties shall provide assistance in establishing direct ties between educational institutions and research organizations in performing joint scientific research and in training and retraining personnel.

Article 4

The Contracting Parties shall protect human and civil rights and freedoms regardless of nationality, respect the rights and interests of national minorities, and foster conditions for their economic, social, and cultural development.

Article 5

The Contracting Parties shall exchange official delegations and performing groups, hold regular festivals, days, and 10-day celebrations in honor of the republic and the kray, closely cooperate in the field of literature, art, education, public health, tourism, sports, and environmental protection, and promote ecological security, legality, and law and order.

Article 6

This treaty shall be concluded for a period of five years and shall be renewed automatically for a subsequent period unless either of the Contracting Parties declares its desire to dissolve it by providing written notification at least six months prior to the expiration of a current five-year period. The treaty shall take effect upon the moment it is signed.

In order to implement the provisions of this treaty, enterprises, organizations, institutions, ministries, and departments concerned shall conclude specific agreements that are not in conflict with this treaty.

In order to coordinate activities to implement concluded agreements and to ensure stable ties, the republic and the kray may exchange duly authorized representatives or create other agencies, including agencies on a commercial basis.

Article 7

The Contracting Parties shall be entitled on the basis of mutual consent to make necessary changes in and amendments to the text of this treaty.

This treaty was drawn up in the Russian language in two copies and was signed in the city of Krasnodar on 21 May 1994.

[Signed] For the Kabardino-Balkar Republic: V. M. Kokov, president of the Kabardino-Balkar Republic

[Signed] For Krasnodar Kray: N. D. Yegorov, administration chief of Krasnodar Kray

Opposition Chiefs Visit Nizhniy Novgorod

944F0812A Moscow *SEGODNYA* in Russian
3 Jun 94 p 2

[Article by Vyacheslav Chebanov, under rubric "The Provinces": "Gennadiy Zyuganov Has Rejected the Monopoly on Power"]

[Text] Nizhniy Novgorod—In the Nizhniy Novgorod area there is a certain force that constantly attracts politicians to itself. During the month of May alone, the oblast was visited by Aleksandr Sterligov, Mikhail Astafyev, and Gennadiy Zyuganov. Gennadiy Zyuganov, chairman of the TsIK [Central Executive Committee] of the Russian Federation Communist Party, after his trip through the cities of the Volga region, arrived in Nizhniy Novgorod to participate in the international Slavic-Eurasian congress that was being held here.

Mikhail Astafyev, leader of the intransigent opposition, appeared in Nizhniy Novgorod in a new capacity—as the chairman of the political party called the "All-Russian National Rightist Center" that is being formed. Mr. Astafyev intends, as he himself expressed it, "to search out, in the regions of Russia, the outcroppings of a patriotic Orthodox world view, in order to begin to resolve the new party's main task—the restoration of the historic succession." First of all, Russia, in the opinion of the right centrists, is supposed to have its previous borders, which developed as a result of World War II. For the new party, the elimination of crime is of no small importance. In Mikhail Astafyev's opinion, "In Russia it is necessary to introduce emergency measures unambiguously." The right centrists see their Christian duty in defending the citizens' social rights and guarantees. Mikhail Astafyev has rejected the Communists' monopoly on the resolution of this task. The Communists themselves are also against monopolies on anything. In the words of Gennadiy Zyuganov, their predecessors, "by monopolizing property, authority, and truth, destroyed the Communist Party of the Soviet Union."

Today Gennadiy Zyuganov, the leader of the Workers Communist Party, even rejects the monopoly on power, and partially recognizes private property and religious convictions. He is even upset by the status of Russian prostitutes, who, "it turns out, are the least expensive in the world." However, he is not planning to sign the Treaty of Civic Accord, explaining his refusal by the feuds among the political leaders and officials. Mr. Zyuganov feels that Boris Yeltsin has "so many powers that he is incapable of implementing his own power functions, and they are being dissipated among those around him." The Communists see the strength of the present authority, in their leader's definition, "as, primarily, the force of the mass media." But Gennadiy Zyuganov sees his party's might not so much in its ideological and tactical experience as in the key positions that are occupied by certain Communist Party members in the power structures (by which they mean Ivan Rybkin, chairman of the State Duma, and Viktor Ilyukhin, curator of the power structures).

Tyumen Foreign Trade Turnover Decreases

94410812B Moscow *SEGODNYA* in Russian
3 Jun 94 p 11

[Unattributed Article: "Tyumen Oblast's Export Has Dropped by 36 Percent in the First Quarter"]

[Text] Tyumen Oblast's foreign trade turnover in the first quarter of 1994 dropped by 26.53 percent as compared with the same period in 1993, and came to \$213 million, the oblast committee on statistics has reported. The share of the industrially developed countries was 77 percent; and the share of the former CEMA countries was 16 percent. Countries in the first place in the oblast's trade turnover were Switzerland (\$498 million), the United States (\$33.9 million), and Germany (\$27.8 million). Import, as compared with the first quarter of 1993, dropped by 19.88 percent, to \$136.2 million. Of that amount, 35 percent was for industrial equipment; 16 percent for means of transportation; 10 percent for control, measurement, and medical instruments, and spare parts; 7 percent for sound recording and sound reproducing apparatus; and 6 percent for pipes. Shipments from Germany came to \$27.8 million; United States, \$25.1 million; and Great Britain, \$7.7 million. Export dropped by 35.95 percent, to \$76.8 million. The predominant items in the export structure were petroleum and petroleum products—97 percent. The remaining 3 percent was timber and lumber. Most of the oblast's export shipments were to Switzerland (\$44.8 million); the United States (\$8.8 million); and Italy (\$6.9 million).

Novosibirsk Unemployment Assessed

944F0844A Novosibirsk *SOVETSKAYA SIBIR*
in Russian 17 Jun 94 p 2

[Interview with S.S. Akperov, acting director of the Novosibirsk Oblast Employment Center, by A. Yugrina, *SOVETSKAYA SIBIR* correspondent; place and date not given: "How Much Does a Job Cost?"]

[Text] The employment assistance program for the able-bodied population of Novosibirsk Oblast envisions alleviation of the socioeconomic consequences and rendering specially directed support during periods of forced unemployment. The program also outlines a section on preservation of existing and creation of new jobs. The oblast employment center has taken the first steps in this direction. In particular, the provision of financial assistance to unemployed citizens who want to organize their own business. S.S. Akperov, acting director of the oblast employment center, answers our correspondent's questions.

[Akperov] A little more than 15 such subsidies have been issued to the present by all the employment centers. Of course, it is difficult to start a business with the small sum of money that we are able to allocate. But we have examples where in rural rayons unemployed women, with our help, are beginning to sew and knit, sell their articles and receive fair incomes. Men are opening up small photography shops and radio workshops.

[Yugrina] Is there a capability in Novosibirsk to teach the unemployed the principles of entrepreneurial activity in order later to issue them subsidies to start their own business?

[Akperov] A city with the kind of scientific potential that Novosibirsk has could establish its own kind of business school. It would be necessary to establish advertising-publishing activity in Novosibirsk and other centers on a more solid basis, and to develop consulting services on assistance to entrepreneurial and small business.

The shutdown of many industrial enterprises has become a sad fact in today's activity. In the future this will particularly hit small cities where enterprises form the infrastructure and provide employment for a large group of the population. For example, the Iskitim electronics plant. It employs more than 4,000 persons. In the first quarter, 95 percent of the workers were on involuntary leaves. Or the Kuybyshev auto spare parts plant. All of the 950 workers here are working part time. More than a third of the workers are on involuntary leave at the Iskitim machine-building plant. But what difficult problems arise in connection with the elimination of the Karasuk and Barabinsk divisions of the railroad!

[Yugrina] There is more and more persistent talk in the newspapers and on radio and TV concerning the impending bankruptcy of enterprises. Moreover, as if it were an inevitable phenomenon that threatens mass unemployment. Are you prepared to receive such a blow?

[Akperov] Luckily this has not happened here yet. We are being given a chance to prepare earnestly and to provide a mechanism at our own level to react effectively to a situation of massive layoffs. We have just submitted a draft decree to the oblast administration "On the Order of Actions of Organs of Executive Authority in Critical Situations in the Labor Market." After its adoption, important work is supposed to be conducted in the localities in order to establish all the necessary measures for adequate reaction to all cases of mass dismissals.

One of the directions in the implementation of an active employment policy is assistance to employers in the creation of new and additional jobs through the financial encouragement of employment fund resources. We have been using a temporary procedure for rendering assistance to employers for a year already. We think that this document has done positive work, and not badly. It laid the foundation at least for some kind of normative base, and taught us to find reliable partners, but the main thing is that the jobs that were created helped many invalids, young people, and women to find their feet again.

The general situation here in this direction is as follows. In 1993-1994, 65 contracts were concluded, R1,752,523,000 were allocated for the creation of 1,609 jobs and the preservation of 7,883 jobs. Our active policy on the creation of jobs received approval in the Federal Employment Service, and the main thing is that it made it possible to increase the number of jobs and thereby somewhat reduce the tension in the labor market, most of all for invalids, youths, and women.

However, the limited resources of the employment fund do not make it possible to substantially resolve the problem on the labor market, inasmuch as the creation of each new job costs a rather large sum. On average it amounts to R1-3 million.

[Yugrina] What must be done to receive subsidies?

[Akperov] An indispensable condition is the conclusion of contracts with employers, and their desire and real capabilities to create jobs or training positions for persons who are especially in need of social support (invalids, youth, women).

The second condition—the competent compilation by employers of all the necessary documents (business plan, letters of guarantee, contracts, and contract pledges). I want to say right off that already in the very near future our capabilities for granting financial assistance could drop; therefore, we are planning the conduct of a competition of business plans in order to select the most reliable ones among the employers. It is not ruled out that the conditions for the issuance of credit will be toughened. They are rather easy at present: 50 percent of the average bank rate is the payment for the use of credit, and six to nine months is the period a contract is in force, with the possibility of an extension, and other conditions.

Strict control has been established here over the fulfillment of contracts by employers. This makes it possible for us to disclose cases of improper use of financial assistance in a timely way, and they do exist. On our representation, a decree was adopted by the Court of Arbitration on fining the Lendi joint-stock company R1.6 million, and three more claims are being prepared against employers who turned out to be insolvent.

Our relations, with all due respect to each other, must be of a strictly legal nature. If you met the conditions—fine, the cooperation will continue. If you did not—pay the fine and bear the financial and property responsibility. There will be no other way.

Moscow Coverage of Regional Economy Viewed

944F0843A Novosibirsk SOVETSKAYA SIBIR
in Russian 17 Jun 94 p 2

[Article by V. Maltseva, under the "Documents" rubric: "From Moscow's Standpoint"]

[Text] **Local politicians, administrators, and enterprise heads have complained many times that Moscow keeps mum and does not react in any way to documents, appeals, and requests sent to the central bodies of authority.**

Here is, however, the most recent episode from "the life of papers," which shows that "the train has gotten moving": At a press conference, journalists were handed a sizable memorandum prepared by the Siberian region department of the Russian Federation Ministry for Nationalities Affairs and Regional Policy. The document

is addressed to the Ministry of Economics and contains both the part describing the current situation and a package of proposals on taking Novosibirsk Oblast out of the crisis.

The analysis of the economic and social situation is presented from the standpoint of Moscow analysts, who, it seems to me, are not inclined to exaggerate our achievements. But even by their strict standards, it is noted that Novosibirsk Oblast accounts for 3.1 percent of Russia's national income produced. Not bad at all, I should say, and will let the reader compare this figure with the contribution of other Federation components, of which, as is known, there are 89. As simple calculation shows, they account for the remaining 96.9 percent of the national income, that is, slightly more than 1 percent per each on average. And mind you, as applied to our oblast, we are not talking about raw materials, but of highly complex industrial output and deep processing of raw materials. We produce 86 percent of Russian tin (including recycled), 10 percent of technical indium, 100 percent of machinery and sets of technical equipment for steel-smelting production, 79.2 percent of large custom-made electric furnaces, one-third of generators for steam, gas, and hydraulic turbines, 34.5 percent of concrete mixers, 30.4 of looms, 15.3 percent of radio receivers, and 13.1 percent of tape recorders.

Among our achievements also are some that the economics of reform appraised negatively: According to the World Bank data, our oblast is the third in terms of militarization of its industry. Up to 44 percent of the entire work-capable population of Novosibirsk are employed at 33 enterprises producing defense-related output.

All types of production enumerated here have one thing in common—these are science- and energy-intensive sectors of industry. Which means that the expenditures required paralyze enterprises since, "thanks to" averaged electric power rates (by the decision of "Unified Power System of Russia" joint-stock company), they have to pay unmanageable amounts for electric company bills.

Because of insufficient financing, science is being "cleansed" of its best cadres: Those who leave first are either young promising scientists or those of world renown in their field. Only 19 percent of vacancies at the Novosibirsk NII [scientific-research institute] of Power Engineering were filled by the end of last year; at the NII of Component Electric Drives the figure was 28 percent; at the NII of Electronic Instruments—29 percent, and at the NII of Measuring Instruments—46 percent.

"Having let go of the economic 'administrative reins,'" write Moscow experts, "the state left the Novosibirsk region outside the reform—both defense-oriented science and science-intensive defense industry found themselves no longer needed. The level of income of

Novosibirsk Oblast residents slid to 37.4 percent of that of Muscovites, while the budget outlay per oblast inhabitant slid to 46 percent of the average for West Siberia."

The document also provides an assessment of the political situation. It is appraised as rather moderate, and it is emphasized that political activism is declining against the backdrop of unfulfilled expectations about the reform. As an example supporting this point they cite elections to local bodies of authority: The oblast council was formed with great difficulty, and the city assembly and a number of representative bodies on the rayon level were not elected at all.

It also notes that political groups of communist, socialist, and especially centrist ideology, which support the reform but of a gradual, evolutionary, rather than revolutionary nature, enjoy the greatest support.

"The indirect proof of that," says the document prepared by capital city experts, "is the extent of support for the head of oblast administration. I. Indinok is currently one of the oblast's most influential politicians. This is helped more than anything by his centrist position as a supporter of a government-regulated market."

The five pages of densely typed text of analytical memorandum end with the part of the greatest interest for us: "Conclusions."

This part emphasizes the need for political and economic assistance for the "pro-market group of politicians and economic managers." The proposal is to speed up payments for state orders to defense complex enterprises, and to resolve the question of targeted investment into concrete conversion programs after first comprehensively analyzing them. It is also proposed to send to Novosibirsk a group formed of specialists from ministries and agencies in order to provide concrete methodological assistance in the resolution of economic problems. The ways to resolve them also are indicated: structural restructuring of the oblast economy and developing (within a condensed time frame!) a program for preservation and development of the oblast's science potential.

All these tasks are supposed to be handled with the help of the regional center for the support of Russian statehood, which is being set up in Novosibirsk, and on which SOVETSKAYA SIBIR has already reported.

Of course, even a condensed time frame may appear too long for the suffocating economy. Despite this, however, there already are signs of some movement, including with respect to financial support for the oblast economy.

At the meeting with journalists on the occasion of reading out the document sent from Moscow, specialists from the Siberian Personnel Center quoted the data of sociological survey, which shows a rather low level of popular confidence in all power structures. Leaving this

fact aside, however, we have to give credit to the "ramming capability" of our governor, who finally did make himself heard in Moscow.

Moscow City Report on Socioeconomic Situation, Pankov Commentary

944F0810A Moscow KURANTY in Russian
25 May 94 p 5

[Moscow City Committee on Statistics report on the socioeconomic results of the first quarter: "Life in the Mirror of Numbers," followed by editorial commentary of Anatoliy Pankov]

[Text] The Mosgorkomstat [Moscow City Committee on Statistics] has forwarded to the editors its report on the socioeconomic situation and development of economic reform in Moscow for the first quarter of the current year. We are publishing what we consider to be the most important points of this report.

Production and the Commodity Market

In the first quarter of 1994, the physical volume of industrial production declined by 33.2 percent as compared with the corresponding period last year.

Out of 350 vital types of industrial products on account in urgent reporting, the production volume declined for 249 titles and increased for 88.

In the first quarter of the current year, as a result of prolonged (longer than one shift) stoppages of all or individual types of production, city enterprises lost over 1 million man-days of work time (14 percent of the scheduled work time of idled enterprises, as compared with 5 percent in the first quarter of last year). Of the overall amount of work time losses, 86 percent were at enterprises in machine building and metal processing.

The primary reasons for the idle times were lack of provision of material resources (53 percent) and difficulties in sale of products due to insolvency of consumers and decline of demand for them (46 percent).

The decline in production in machine building for the three-month period as compared with January-March of 1993 comprised 56 percent. There was a reduction in production of practically all types of machinebuilding products. The most notable decline was in the production of centrifugal pumps (by 79 percent), low-voltage electric motors for assembly of electrical household appliances (by 75 percent), and compressors (by 78 percent).

There was a significant reduction in the output of technically complex goods of cultural-domestic and household application, including passenger automobiles, radios, and television sets.

A characteristic peculiarity of last year were the structural transformations in the sectors of the defense industry due to the implemented conversion of military production. In the first quarter of 1994, conversion covered 56 percent of the enterprises in the defense complex. However, the crisis phenomena in this sector are intensifying. The reduction in the overall volume of

production at converted enterprises comprised 35 percent. The relative share of civilian products in the overall volume of output of enterprises of the military complex comprises over three-fourths.

The production of products at light industry enterprises declined by 37 percent.

The output of food products for public consumption in the first quarter of this year as compared with the first quarter of 1993 increased by 4.1 percent. At the same time, there was a decline in the production of whole milk products, vegetable oil, margarine products, bread, and bakery goods.

The decline in volumes of industrial-technical construction led to a reduction in production of the building materials industry.

In the first quarter of this year, enterprises and organizations held in all forms of ownership placed into operation fixed capital in the amount of R269.1 billion. As compared with 1993, there was a notable increase in the relative share of nonproduction capital introduced.

General-use motor transport carried 21 percent less cargo in the first quarter of 1994 as compared with the first quarter of 1993, as well as 632 million persons, which is 13 percent less than for the corresponding period last year. Due to the cancellation of shipments, unplanned departures from routes, and other reasons, 1.4 million routes, or 19 percent, were unfulfilled.

In the first quarter of 1994, the overall volume of goods turnover, including public catering, comprised R4.146 trillion and increased by 33 percent in physical mass as compared with the same period last year.

In March of this year as compared with February, the goods turnover in actual prices increased by 27 percent, and in comparable prices—by 19 percent.

The relative share of the private sector in the overall volume of goods turnover in March comprised 80 percent, of the state sector—11 percent, and of organizations held in other forms of ownership—9 percent.

The relative share of non-trade organizations performing trade activity increased to 23 percent.

The relative share of food products in the overall volume of goods turnover comprised 44 percent. The increase in goods turnover was primarily due to the increase in sale of nonfood items, a significant portion of which are taken out of the city.

There are 5,566 stores with sales area of 1,887,000 square meters and 6,870 public catering enterprises to accommodate 740,000 persons operating in the city.

On the background of last year's reduction in the retail trade network, which was caused by the closure of unprofitable enterprises and their prolonged repair and retooling after privatization, the situation in the retail trade network has stabilized.

The physical volume of paid services (in comparable prices) for January-March of this year comprised 60 percent, and of consumer services—54 percent of the volume for the same period last year. The volume of services dropped several times over as compared with 1990.

In the first quarter we observed a decline in the activity of stock exchanges. By status on 1 April, the number of exchanges had declined by six, and comprised 40 units. Of these, 26 were actually functioning.

The sale of securities comprised 13 percent of the exchange turnover, and the sale of currency comprised 85 percent. The relative share of consumer goods dropped to 0.4 percent, and of products of industrial-technical application—to 1 percent.

The relative share of export in the overall volume of production throughout the city comprised 3.3 percent, as compared with 2.5 percent for the first quarter of 1993.

At the beginning of the year, the city's enterprises and organizations had on hand \$2.9171 billion in their currency accounts. During the first quarter, foreign currency in the sum of \$3.0015 billion was received, and \$3.0903 billion was spent.

On 1 April 1994, enterprises and organizations had \$2.8283 billion in their accounts (including frozen assets).

In the first quarter of 1994, 198 enterprises were privatized, of which 177 passed to private ownership by means of sale, and 21 were converted to joint stockholding. Of the overall number of privatized enterprises, 186 had been held in municipal ownership, and 12 in federal.

Altogether since the beginning of the year, R1.6 billion in funds were received from the privatization of enterprises. Of this, the revenues from sale of enterprises comprised R1.3 billion, and from conversion to stockholding—R0.3 billion.

There were 52,006 apartments privatized in the first quarter of this year. This comprises only 15.4 percent of the number of apartments privatized in the first quarter of last year. Altogether, as of 1 April 1994, 10,368,000 apartments have been privatized and sold to citizens for private ownership since the beginning of privatization.

Financial Situation and Prices

For the first two months of this year, the city's enterprises and organizations received R696 billion in profits, which is 4.5 times greater than the level for the corresponding period last year. However, the real volume of profits decreased significantly.

There were 610 industrial enterprises that showed a loss in February. Their number increased by 14 percent over January. The sum of loss incurred in January-February

comprised R83.2 billion. The greatest loss was suffered by passenger land transport—R29 billion, which comprises 35 percent of the overall sum of the losses.

The greatest relative share of unprofitable enterprises and organizations were in the sectors of communications (33 percent), information-computer services (29 percent), non-production types of consumer services (28 percent), transport (18 percent), and housing-municipal services (21 percent).

The overall credit indebtedness of industrial enterprises, construction organizations, and transport organizations as of 1 March 1994 comprised R2.2873 trillion, of which around 60 percent comprised indebtedness to suppliers for goods, work and services, and 13 percent—of overdue payments to the budget. Overdue debts accounted for around 14 percent of the total credit indebtedness, of which 69 percent was to suppliers and 14 percent was to the budget.

The overall indebtedness on unpaid accounts comprised R2.392 trillion. Of that, almost 80 percent was consumer debt.

The relative share of enterprises and organizations having overdue credit indebtedness comprises 31 percent of their total number, while the relative share of those having overdue indebtedness on unpaid accounts was 43 percent.

As of the status on 1 April, 137 enterprises in industry and construction had not paid workers R9.3 billion, with 24 percent of this sum being overdue for more than a month. The debt in payment of earned wages increased by a factor of almost two for March.

Consumer Prices

In the first quarter of this year, the situation in the consumer market of goods and services did not change significantly. The growth of prices declined somewhat. In March of this year as compared with December of last year, the consumer price index rose by 46 percent.

Food products for the first quarter increased in price by 45.4 percent. At the same time, the growth of prices on many food products that were used to figure the minimum living standard was more significant. Thus, prices on bread and bakery goods increased by 51 percent, eggs—by 52 percent, milk and dairy products—by 57 percent, butter—by 59 percent, fish and seafood—by 66 percent. Meat and poultry increased by 45 percent, while the growth of prices on sausage goods comprised 48 percent.

The cost of products purchased at markets was on the average two to four times higher than in the stores.

The specified minimal food basket, comprising 19 basic food staples and computed from the monthly minimal standard of per capita consumption at prices formulated on 29 March (including market prices), reached R49,000 in Moscow (throughout Russia it was R46,000). This is

1.4 times more expensive than in December of 1993. By cost of assorted goods on 29 March, Moscow occupied 39th place among 132 cities of Russia, yielding only to regions of the Far North, the Far East, and a number of cities in Siberia.

With an overall growth of 28.4 percent in prices on industrial goods in the first quarter of this year as compared with December of 1993, linens, detergents, perfume-cosmetic goods, metallic dishware, television and radio apparatuses, and personal transport means increased in cost by 31-36 percent, office supplies—by 53-55 percent, and printed publications—by 78 percent.

In March as compared with December of 1993, the prices and rates on paid services provided to the population increased by 2.1 times. The fastest-growing during this period were prices on passenger transport services (the growth comprised 2.7 times).

Dynamic growth in prices on consumer services was observed during the quarter, and comprised 170 percent.

The wholesale price index of enterprises on an assortment of representative goods (for a number of surveyed enterprises) in March of 1994 as compared with March of 1993 comprised 609.6 percent. The greatest increase in prices during this period was seen in the chemical industry (by 17.5 times), in the building materials industry (by 9.1 times), and in the lumber and wood processing and the pulp-and-paper industry (by 6.8 times). In machine building and metal processing, the wholesale price index comprised 598 percent. In the light and food-flavoring sectors, prices rose by five to six times.

Actual prices on construction-installation work in the first quarter of 1994 increased by 12.6 times as compared with the same period last year.

Living Standard and Income of the Population

The income of Moscow residents as compared with the first quarter of 1993 increased by 9.5 times, with a price increase of 7 times. The level of monetary income of the population with consideration for the growth in consumer prices in March of 1994 declined by 27 percent as compared with December of 1993.

The average monthly labor wage of blue- and white-collar workers employed at enterprises and organizations of state and private forms of ownership increased in March by only 6 percent as compared with December of 1993.

The highest level of wages was seen in construction organizations (R267,200), transport organizations (R277,200) and communications (R249,100).

The level of wages in the higher educational institutions (R152,400), general education schools and child-rearing institutions (R119,600), institutions of culture and art

(R128,800), public health, physical culture and sports, and social provision (R151,800) were all significantly below the citywide average.

The per-capita monthly income of Moscow residents comprised R150,200 in the first quarter. At the same time, in March the income of pensioners receiving a minimal pension comprised R34,300, taking into consideration the compensatory payments and city government supplements.

The minimum living standard of the Moscow resident, computed according to the methodology approved by the city government, comprised R111,000 in March. Of this, expenditures for food were R75,800, and for non-food items—R21,200. For men and women of employment age, the minimal consumer expenditures comprised R134,300 and R118,200 respectively. For pensioners they were R69,900, for children under seven years of age—R60,900, and for children from seven to 16 years of age—R98,600.

In the first quarter of 1994, Moscow residents and visitors to the city acquired R5.3 trillion in foreign currency, including R2.1 trillion in March alone. (As a comparison: For all of 1993 this figure was R4.9 trillion).

Public expenditures for acquiring currency are growing faster than deposits in the Russian Savings Bank. In the first quarter of 1994, the public deposited 10 times more funds in its accounts than in the first quarter of 1993, while expenditures for acquisition of currency were 67 times greater.

Taxes, various dues, and other types of expenditures were paid in the sum of R281.7 billion, which is 6.7 times more than in the first quarter of 1993.

Labor

The level of officially registered unemployment in the city comprises 0.4 percent of the total number of the economically active population. However, the real level is significantly higher. A study on the problems of employment conducted at the end of 1993 showed that the number of unemployed persons reaches 281,000, which is 11 times higher than the recorded number, and comprises 6 percent of the economically active population.

The regimen of part-time employment—hidden unemployment—is taking on ever broader scope.

There are 48,000 persons currently on leave at the initiative of the administration, and the duration of such leaves comprised 1,084 man-days.

Social Development of the City

There were R965.3 billion channeled into the construction of facilities of non-production function. This is 3 percent more than for the corresponding period last year. This includes, for housing construction—R335 billion, for construction of pre-school institutions—R12 billion,

for general education schools—R14 billion, and for hospitals and walk-in clinic institutions—R22 billion. Residential houses with overall living area of 366,500 square meters have been built.

The Moscow population numbers continue to decline. In the three months of this year, 15,800 births and 38,600 deaths were recorded. After a significant drop in the birth rate in 1993, in the first quarter of 1994 the birth rate coefficient (the number of births computed per 10,000 members of the population) as compared with the first quarter of 1993 increased from 6.7 to 7.3. The mortality rate coefficient also continued to rise, increasing from 16.0 to 17.8. The increase in the mortality rate was conditioned to a significant measure by the aging of the population. The relative share of persons above able-bodied age comprises 22 percent.

As compared with the first quarter of last year, there has been a sharp (by 3.6 times) increase in the number of cases of diphtheria, whooping cough—by 3.4 times, and viral hepatitis—by 1.7 times. The number of syphilis cases increased by 2.4 times.

At the same time, there was a significant reduction in the number of cases of measles (by 3.2 times) and acute intestinal infections (by 22 percent).

For the first quarter of 1994, 20,900 crimes were recorded. This is 5.6 percent more than for the corresponding period last year. The increase in serious crimes comprised 8.2 percent (one in four registered crimes). However, as compared with the situation last year, the growth in the crime rate has slowed down.

Theft of personal property of citizens comprised 29 percent of all registered crimes. Of these, one in three cases were apartment robberies.

Persons not having a permanent source of income comprise 56 percent of the lawbreakers. Their numbers have increased by 1.6 times as compared with last year.

Pankov Commentary—"When Will Catastrophe Break Out?"

In the recent era of unfinished communism, such statistical reports had to instill confidence in the fact that our great people have taken another step toward the bright future. The tone of such reports was full of pathos. No matter how stagnant things were, they always found some figures which they could report with pride. Today, when everyone is awaiting the approach of the dark future with alarm, the tone of the statistical reports is emotionally gloomy.

The question of all questions (both in economics and in politics) is the production of goods. Tied to it were all our hopes for the saturation of the market, and consequently for reduction in the rates of inflation and strengthening of the ruble, as well as for the stable operation of enterprises. And this means also for good wages and expansion of trade. The decline in output of goods was always blamed on the radical reformers of the

Gaydar persuasion. But is this process in itself all that terrible? Should we, the simple consumers, instead of the workers of the given enterprise, be worried about the fact that, for example, there are many fewer centrifugal pumps being produced today?...

We all saw that our gigantic industry even yesterday worked more for itself than for the population, for everyday life. It itself ate up a large part of its production. How much metal, oil, coal, and electrical power was spent in order to obtain....metal, oil and coal!... How much "finished" production was wasted in scrap and rust, never being put into operation. And what ravenous mastodons these were! And the fact that today the output of such products has declined is only for the good. Of the entire country. But for the specific enterprise—yes, perhaps it is a catastrophe.

It is sad, of course, that the output of such much-needed products as, for example, shoes, stockings and hosiery, and tricot goods has declined. Yet it is clear (and Mosgorkomstat also notes this fact) that many of the domestic goods are not competitive. Make them better—and we will buy them.

Unfortunately, Mosgorkomstat has not specified the 88 vital types of products for which the output has increased. Nevertheless, it has increased! That means that there is demand, and that these products are competitive.

he fact that the output of food products is increasing, as well as the fact that three-fourths of the products produced by the Moscow "defense" industry are intended for peaceful purposes, also instills hope for structural changes. And this is certainly not a deepening of the crisis.

Figures are especially eloquent when they are compared. Just look, the report states that communications is among the most unprofitable sectors. Yet at the same time, communications workers have one of the highest wages in Moscow. Could it be that the sector is operating at a loss because they have become too conceited there? Could it be that the communications workers are robbing us, the editorial offices, and you, the subscribers, because they want to use their state monopoly to live better than others at our expense?

Let them live better if they work better. But as it is, as we all know very well from our own bitter experience, they work worse now than before. Nevertheless, a communications worker today (meaning no offense to the workers in this sector whom I respect) gets more than a scientist, a teacher, or a doctor.... And at the same time, he too is in the state service and on state subsidy. What kind of state policy is this?

The Mosgorkomstat concludes that there has been a certain stabilization in the number of operating enterprises. Yet almost all the "points" there have been privatized, there have been exceptions, distortions, etc. And the Moscow government has had to take certain measures.... And now the statistics record a stabilization.

Specifically in that sector where the private owner feels himself to be almost a complete master.

It is true, I personally never was thrilled about the fact that mass privatization was begun specifically with trade. To think that our prosperity will begin from it is just as naive as hoping to romp in a swimming pool, having built it but not drilling an artesian well. Yes, our private owner-shopkeeper is turning himself inside out and barely eking out a profit for himself, and some semblance of abundance for us. With the aid of goods from abroad. But for us it would be more profitable if the production of our own goods were expanded. And this cannot be done without "drilling" an outlet to economic freedom for agriculture—the primary supplier of raw material, and for the processing industry.

And one other figure to which I would like to draw the attention of our readers. Moscow enterprises have accumulated almost \$3 billion in hard currency. So, what kind of collapse can we speak of? Perhaps only a collapse of "cautious reform"? A collapse of the policy under which the state, or more precisely the official bureaucracy, "manages" production as before, and in fact tries to stifle enterprise?

New Moscow Oblast Procurator General Appointed

944F0810B Moscow MOSKOVSKIY KOMSOMOLETS in Russian 19 May 94 p 1

[Unattributed article: "In Moscow Oblast—A New Procurator"]

[Text] As reported to MOSKOVSKIY KOMSOMOLETS by the press service of the head of administration of Moscow Oblast, by order of Acting Procurator General of Russia Aleksey Ilyushenko, a new procurator for Moscow Oblast has been appointed. He is 53-year-old Sergey Botskalev. He has been working in the agencies of the Podmoskovye procurator's office since 1968. He was the procurator for the cities of Serpukhov and Balashikha. For over eight years, he has worked as deputy and first deputy procurator of Moscow Oblast.

His predecessor, M. Slavogorodskiy, has been relieved from his occupied position, although it is unlikely that he regrets this. He has been appointed Deputy Procurator General of Russia.

New Income Tax Declaration Form in Moscow City Created

944F0810C Moscow NEZAVISIMAYA GAZETA in Russian 2 Jun 94 p 4

[Unattributed article: "Russia Awaits New Declaration on Income"]

[Text] The State Tax Inspection for the city of Moscow (GNI) has developed a draft of a new Declaration On Income From Individuals. The creation of this document was evoked by the inadequacy of the existing Declaration, which has been in effect since 1992.

Since that time, there have been significant changes in the country's tax legislation. Specifically, a number of new benefits have been introduced, and income tax deductions have been changed. As a result, in collecting taxes an inspector in the office, for example, could not verify the correctness of claiming benefits, which reflected different multiples of the amount of the minimal monthly labor wage. The absence of a chart for computing "Deductions to the Pension Fund" in the Declaration created difficulties in citizens' income declarations. Much confusion was introduced by point 4 of the Declaration, which dealt with taxation of income received from entrepreneurial activity. The effective standard did not provide for a scheme of computation on these points. In payment of value-added tax, there was no point in which this could be recorded.

Considering the difficulties that taxpayers experienced in filing the Declaration, the capital's State Tax Inspection first developed an appendix in the form of supplemental tables to the Declaration, with the aid of which it was possible to unify the previous form of the Declaration with the new legislative requirements.

In view of the inadequacy of the existing Declaration, the GNI for Moscow began work on improving the document. In the opinion of the chief of the GNI for Moscow, Dmitriy Chernik, the draft of the new Declaration is easier to use, convenient to fill out, and most importantly—it has been brought into line with the changes in the effective legislation.

However, at the present time it cannot be adopted, since the Declaration of Income is an appendix to the effective instruction of the Law on Income Tax From Individuals, whose amendment is under the jurisdiction of the legislative bodies. Nevertheless, Dmitriy Chernik is confident that the new Declaration will be adopted no later than the beginning of 1995.

Petersburg Mayor Sobchak Interviewed

944E0930B Moscow MOSKOVSKIYE NOVOSTI
in Russian No 22, 29 May 94-5 Jun 94 p A11

[Interview with St. Petersburg Mayor Anatoliy Sobchak by Viktoriya Voloshina, MOSKOVSKIYE NOVOSTI correspondent; place and date not given: "Anatoliy Sobchak"]

[Text] Once Anatoliy Sobchak admitted: "I cannot brag about having a fighting childhood biography. I never fought with my legs or fists. If worst came to worst, I pushed and, therefore, I often lost my leadership." Having grown up and come to power, Sobchak became quite a tough politician. According to his own evaluation, power has taught him even cruelty. Recently, after the dissolution of the Petersburg Council and unsuccessful elections to the municipal assembly, he virtually remained Petersburg's absolute master; as he is called in the city, the most famous and the most lonely politician from the banks of the Neva.

[Sobchak] There is some truth in this image. I began my political activity as an independent candidate and at the First Congress of People's Deputies I tried in every possible way to emphasize and protect this independence. I said to myself that, if it made sense to change my life, going into politics, in any situation, first of all, I must preserve my identity, no matter with whom fate brings me together.

[Voloshina] When was it more difficult to defend this independence, 5 years ago or now, working as a state official?

[Sobchak] It is as difficult to preserve independence as it is democracy and, therefore, it must always be defended. Nevertheless, it was more difficult 5 years ago, when each time I had to decide: Can I say aloud what no one before me had said, or not yet? People may not understand or understand incorrectly. I was always sure that any excessive radicalism leads only to the weakening of the democratic process.

[Voloshina] Even in critical situations?

[Sobchak] I remember a very serious episode on 27-28 March 1991, although in contrast to subsequent putsches it somehow did not register in people's consciousness. This was the situation during the confrontation between the supreme soviets of the Union and Russia. On 27 March troops were brought into the capital and a huge demonstration of Russia's deputies and their supporters was held in the evening. On that day I had to do a lot of work in order to change the mood of the Union Soviet and to turn its majority toward support for Yeltsin. I managed to do this and this became one of the fundamental victories, which made it possible later, after the putsch, to stop the activity of the Supreme Soviet and the Congress of People's Deputies. Although we, Union deputies, had no less reason to rebel and oppose the attempt to dissolve us than Khasbulatov's parliament, we dispersed at the end of August-beginning of September, when the Soviet Union still existed. But then, thank God, deputies did not engage in an open confrontation in order to save themselves.

[Voloshina] After the December elections General Shaposhnikov, analyzing the loss of the Russian Movement for Democratic Reforms, mentioned the erroneous choice of the movement's leaders as one of the main reasons for the defeat, having in mind, as I understand, Gavriil Popov and you.

[Sobchak] I did not hear such a statement, but I do not think that Shaposhnikov had me in mind. We have friendly relations and it is I who invited him to participate in the movement and to be second on the party list. The lack of organization and unity in the movement was the main reason for the defeat of the Russian Movement for Democratic Reforms. I am reproached. How did you lose in your own city? However, we got 11 percent. If we had received even one-half of this in Moscow, our

fraction would have been one of the most representative in the Duma. However, we remembered late, entering the election campaign at the end of November, and, in essence, our program remained unknown to voters. Although to this day I think that it is the most literate and promising for Russia. Incidentally, many of our proposals have now found their way into government documents and programs of different parties. For example, the program of the bloc Democratic Unity of Petersburg was simply copied from ours, unfortunately, with grammatical errors.

[Voloshina] Recently, you have often criticized the government's steps. What is your main reproach against Yeltsin's team?

[Sobchak] It is always easy to criticize a team in power. However, I am really disturbed about the elimination in Yeltsin's entourage of people with truly democratic convictions. Not long ago, after the presidential council, we sat and talked with Yuriy Ryzhkov. A foreign correspondent approached us and asked: Do democrats of the first wave, those that helped Yeltsin come to power, really form the basis in the presidential council? We only exchanged glances: Two of us remained from the famous interregional group, whose leader was Yeltsin.

[Voloshina] Do you believe that Yeltsin does not know how to appreciate and thank his comrades-in-arms?

[Sobchak] Very likely, things are more complicated here. On the one hand, people close to you in convictions are not always capable of state work. On the other hand, so-called democrats of the second wave successfully master eternal methods—intrigues, scheming, and the desire to remove the most influential person. They speak of us as of romantic idealists, who have made lots of mistakes. However, I apply the definition "democrat" to these people with great doubts. Most of them have come to power simply by taking advantage of the situation and, for sure, without any ideals. Thank God, they came to power at a time when the country avoided the threat of a civil war.

[Voloshina] Are you really convinced that this threat no longer exists?

[Sobchak] I think that we are at the very end of the period when explosions and blood are still possible. An increasingly larger number of people are entering a new life and becoming owners and entrepreneurs. I see this both in Petersburg and throughout Russia. Here time is working for us. But, of course, there are still many dangers and their center is in Moscow. The leading personnel of the CPSU—all oblast party leaders, GULAG [main administrations of corrective labor camps] chiefs, and other adherents of the regime—settled there for decades. As the highest reward they received apartments in Moscow and were pensioned off in the capital. There are hundreds of thousands of such people in Moscow. They still have contacts and funds, but I believe that today we have achieved the most

important thing—we have transferred the political struggle from the street to the Duma and have given these people the hope that they will be able to come to power legally. And so, during the 1 and 1/2 forthcoming years before the parliamentary and presidential elections serious cataclysms do not await our country.

Another thing has now begun—a regrouping of forces and a fight for voters. Not long ago the French foreign minister visited me and asked me with bewilderment: Help me to understand your political life. How is it that democratic forces in the parliament vote against the budget proposed by the government of reformers, which they were expected to support? And those that consider themselves the opposition accept this budget with enthusiasm. Why? I was forced to explain that there were two reasons for this. The first, but not the main one, was that in the budget message the government made very serious concessions to the military and agrarians and that was why the opposition rushed to defend this budget. Gaydar and Yavlinskiy voted against, realizing that the country could not live without a budget. Well, were they interested in chaos? No, they simply calculated that the budget would be approved even without them, but, by voting against, they would get the opportunity to say in the future: "You see, the situation has deteriorated, but we warned you. We have nothing to do with this government and with this policy." These are the usual preelection calculations. In general, Yavlinskiy votes against any matter proposed by the president. However, this is an absolutely losing and dangerous position. I have had good relations with Yavlinskiy for a long time and have told him many times that no personal views or claims justify a political leader who does damage to the democratic process. What he is doing only plays into the hands of the opposition.

[Voloshina] Do you plan to participate in the presidential elections?

[Sobchak] No, long ago I firmly decided not to participate in this matter. First, my health is not good enough. If these transformations had begun 10 years ago, perhaps I would have taken the risk. Second, I am a realist and I always evaluate chances very clearly. I do not intend to participate in a fight in order to suffer a defeat. Third, entering a fight for the sake of a fight, one always takes away other people's chances and, not attaining victory, one may defeat the main goal—the strengthening of democracy.

[Voloshina] You are leaving the campaign. Does this mean that you are tired as a politician? After all, as it is, one often hears the following about you: Sobchak is a departing politician, "yesterday's politician."

[Sobchak] This is mere talk. Communists and nationalists hate me, but many democrats also have little liking for me precisely because of my independence and adherence to principle. That is why they rush to declare me a departing politician. I will determine the moment of my

departure for myself. In any case, I do not intend to change my place of work during the 5 years for which I was elected mayor of Petersburg. With regard to the future... I prefer to make the decision at the moment when it is necessary to do so. I do not rule out for myself participation in the parliamentary elections in the fall and winter of 1995. According to my inclination I am still more a parliamentary man and I think that my political experience will be useful there. After all, only universal dilettantism prevails at the present assembly. That is precisely why the Duma cannot adopt a single literate legislative document. They long rather to engage in politics, for example, to discuss the question whether Sobchak should be in the post of mayor or not, but to adopt a new Civil or Criminal Code is beyond them.

[Voloshina] You recall the first years of perestroika with noticeable nostalgia. But during Mikhail Gorbachev's visit to Petersburg you quite emphatically avoided a meeting with him.

[Sobchak] I never forget the role played by Gorbachev in the downfall of the communist regime and, without fail, I myself will invite him to Petersburg. However, this time he came at the invitation of Baskin and Gidasov, people with whom I have little in common. All the more, it did not suit me that I was offered to participate in all this action in such a very disrespectful manner.

[Voloshina] In Petersburg, beginning with the scandalous elections to the municipal assembly, which you unprecedentedly prolonged by an entire day, several directives appeared right away, which caused a fuss in the city. Among them there was also a letter to the president with the request to bring troops into the city and the resignation of the chief of the Main Administration of Internal Affairs. Why the need for these decisions, which were not very popular in Petersburg?

[Sobchak] Those that are hindered by popular decisions, which the city needs, make a fuss; for example, the appeal to the president, which, incidentally, the Security Council under the president approved. It does not at all boil down to the fact that I ask that troops be brought into the city. The participation of the military in city patrolling has been in effect since 1991. I wrote the president about the need to implement a number of emergency measures to introduce order in the city, but journalists reported that I demanded emergency powers for myself. Or Kramarev's resignation. Why suddenly did everyone rise to his defense?

[Voloshina] Apparently, he evokes sympathy among the people of Petersburg...

[Sobchak] No, this person simply suited everyone, because no fight against crime was waged under him. One out of five crimes was exposed in the city. Who is interested in this? Hardly law-abiding residents of Petersburg. The replacement of the chief of the Main Administration of Internal Affairs, which I sought for 3 years, frightens many people. This does not concern Kramarev alone. We are now replacing an entire

stratum of city leaders, who are not capable of working on account of their age, convictions, or professional competence...

[Voloshina] Judging by how often officials are replaced in the municipal council, you do not know how to pick a team very well.

[Sobchak] The problem of people is the main problem. The president struggles with it and I struggle with it at the city level. The point is that truly capable, talented, and decent people simply do not want to go to work in state bodies. There is another subtle point—unpredictability of what happens with a person in power. I often remember Lord Chesterton, who once wrote the following: "Today I appointed one out of 10 claimants, thereby creating for myself nine enemies and one ungrateful person."

[Voloshina] Do you dream political dreams?

[Sobchak] Thank God, no. I had one dream a long time ago and it was a nightmare.

[Boxed item: Anatoliy Aleksandrovich Sobchak was born in Chita in 1937. He graduated from the Faculty of Law at Leningrad University. Upon assignment he left to work in Stavropol Kray, completing his graduate studies by correspondence. He returned to Leningrad to teach at the Department of Soviet Law. In his youth he developed an enthusiasm for mountain climbing and with the beginning of perestroika began to conquer political heights. In 1989 he was elected deputy to the First USSR Congress of People's Deputies and became a member of the Committee on Legislation of the USSR Supreme Soviet. In 1990 he headed the Leningrad City Soviet and in 1991 he was elected mayor of Leningrad-Petersburg. He is the author of two books "Khozhdeniye vo vlast'" [Coming to Power] and "Tbilisskiy Sindrom" [Tbilisi Syndrome]. His third book "Zhila-byla KPSS" [Once Upon a Time There Was the CPSU] is being prepared for publication in September. He has two daughters. His wife is docent at the Institute of Culture.]

Vyborg Free Economic Zone Status Assessed

944E0954A St. Petersburg NEVSKOYE VREMYA
in Russian 16 Jun 94 p 1

[Article by Lev Anikin: "Why Freedom for the Vyborg Free Economic Zone: The Last Bell"]

[Text] *The government reformers, who seemed to have become seriously involved in the matter of constructing normal capitalism in Russia, have competitors who are even more resolute. The objectives of their program are the same as those of the presidential edicts for building up the economy: "structurally transforming industry, raising its technical level, increasing its export potential." The methods are the same: tax and other benefits for investors, simplification of procedures for registration of private enterprises, guarantees that the rules will not change for a*

certain period of time, and other easily understood incentives for invigorating serious business and trade. The only difference is that the alternative plan is unusually radical nature—although this is completely in keeping with its purpose—which was revealed four years ago for the Vyborg free trade zone. Since that time all of its freedom has been on paper. And although the recently updated plan was taken under advisement by the Expert Council of the Government of the Russian Federation, the predictions and its fate remain ambiguous.

The idea was approved by former prime minister Yegor Gaydar. To be sure, with a reservation: "We want to make all of Russia a zone of free entrepreneurship." Which meant: Get out of here, guys. But the mayor of Vyborg, Nikolay Smirnov, and people who think as he does, having received the resolution from on high, did not let the matter go. Things did not go quickly or smoothly with economic freedoms in Russia. In Smirnov's opinion, this is because the government has no clear-cut reform program. There is a vicious circle of problems: There are holes in the budget because there are not enough tax payments, and there are not enough of them because there are not enough well-to-do taxpayers, who are suffocated by taxes. And it is all one—both in Russia and in all of its cities and villages.

There is only one thing left for the Vyborg mayor to do—extricate himself. And, in his own words, he is trying hard to do just that. Sometimes on the verge of going too far. The roads in the district are torn up, the border city is a disgrace. And there is nothing with which to make repairs. He came up with a solution: Collect a duty from automotive shippers of import and export freight—40 cents per tonne. It would take 2 billion to make the highways look magnificent. It could be collected in two years. It is just that the drivers—true, only the domestic ones—are making a fuss and threatening to complain... During the winter it turned out that there was nothing with which to pay for the urgently needed coal delivered from Vorkuta. He himself took it as if on credit, he made some kind of deal with the suppliers... And so forth. The mayor does not like all this, he wants to live more simply.

And he is not the only one. There are successful entrepreneurs in the region. The joint-stock company Roshinskiy Dom produces cottages that can compete quite successfully with Western models. The director of the former sovkhos and now private joint-stock company Tselodubovo, Semen Tsibovskiy, has conducted his own kind of land reform: Almost the entire farm has been transformed into a partnership of individual private farmer-owners. And with their contributions—in the form of shares for internal use—he constructed a general-purpose production for processing milk and a bakery. He simultaneously solved the problem of sales and providing the population with products of the best quality, including the population of the district. Unusual wallpaper, fine locally produced footwear—all these items of the entrepreneurial sector are also the pride of the region. They even have

their own vodka—Vyborg from the liquor-vodka plant—which connoisseurs say is much better than vodka from overseas and much cheaper.

But all of this is still far from a mass phenomenon. And the achievements are most often not because of but in spite of the generally accepted rules of the commercial game. Some managed in better times to get good credit. Some were able to make use of temporary construction shacks left behind by Finnish builders who did not need them. Some were helped with communications. But in general during January-April alone the volume of output of industrial products dropped by 28 percent. The situation was no better in agricultural production.

Taking into account past experience in transformations, many experts—including from the government—now think that under conditions of a production decline it is necessary to proceed toward expansion of the budget deficit. The only question is how best to do it: by reducing the tax burden or increasing budget expenditures on all kinds of subsidies. Judging from the president's edicts, the path chosen is mainly the former. And the mayor of Vyborg, as one of the local practitioners, agrees with him. Money from the state treasury, he thinks, is not needed. We will earn our own. Just give us a chance. The president's edicts create the precondition for this. But the mayor of Vyborg is confident that free economic zones are an additional and perhaps the decisive chance to establish the reforms.

The objections from Gaydar and other opponents also make a certain amount of sense, of course. In similar, say, Chinese, preserves of entrepreneurship everything is all right: the commodities, the wages, the investments, the standard of living, the social protection. The only bad thing is that they have to be preserved, like our former regime-supported cities. And the influx of illegals penetrating into this sovereign paradise without permission ends up with unspeakable exploitation of them. And also corruption of the authorities who have the right to invite merchants to come in. But the chief of the department for development of the Vyborg free economic zone, Valeriy Remenyuk, thinks that things will not go that far here. Special entry conditions are planned only in the customs zones. Everything else will be decided by competition.

The onslaught of the latest presidential edicts, in the opinion of many independent analysts, is the last bell. Russia is faced with a final choice: either a civil society working for the common good in proper economy, or—ultramonomopolistic capitalism serving the chosen ones. But reforms from above are no longer any good. It is necessary to adjust "from below." Including with arguments for "free economic zones." So that they will not remain like the Chinese indefinite, rare preserves of entrepreneurship.

St Petersburg Jobs Fair Attracts Thousands

944E0954B St. Petersburg NEVSKOYE VREMYA
in Russian 15 Jun 94 p 3

[Article by Alla Borisova: "Who Needs 'Pros'"]

[Text] There is a French anecdote:

Two unemployed people are talking on the street:

"Do you know what happened to Paul?" asks one of them.

"No. What?" the other is interested.

"He got a job."

"Well, I have always said that he would do anything for money!..."

True, the people standing in the long line in front of the Lenekspo Pavilion, where the 10th Fair of Job Vacancies and Training Opportunities was being held, were in no mood for anecdotes. They had to stand there for two or three hours, the line wound round in circles and camera crews and photo reporters were taking pictures everywhere.

"There you have it, the bared fangs of capitalism," our journalist colleagues and photo reporters were probably thinking as they trained their lenses on the gloomy faces of today's unemployed.

Let us note that as of 1 May 1994 the St. Petersburg state employment service had registered 35,784 unemployed. Their numbers had increased by 15.2 percent as compared to 1993. The level of unemployment today is 1.3 percent of all the able-bodied population.

At the same time the number decreased by 8.8 percent as compared to March. But, as Nonna Koritskaya, deputy chief of the department for analysis and prognostication of the labor market, thinks, the number of unemployed will decrease during the summer months. True, this will happen only because the women will be taking their children on vacation and will put off looking for jobs until fall.

Visiting the job fair is one of the ways of finding work which is extremely popular among the unemployed and a favorite of the employers.

More than 50 St. Petersburg enterprises participated in this event, and this means that their representatives sat in the hall and offered jobs to all who were interested. There were respectable firms, enterprises that provide work at home, representatives of the city internal affairs administration, and an immense number of organizations offering courses for training and requalification. A young lady who wishes to become a hair dresser can get the information right here: how to arrange it so that she would not have to pay for the courses out of her own pocket. It turns out that to do this all she would need would be a certificate of unemployment.

The longest lines were in the center of the hall in front of the computer operators. The job data bank No. 1 belongs to the Employment Service, and No. 2 was compiled by the Youth Labor Market, which, incidentally, was exactly three years old on 13 June. Data bank No. 2, it turns out, contains the largest percentage of highly paid vacancies.

It was not only the unemployed who were interested in the 10th Job Fair. For the first time large entrepreneurs and owners of private firms and enterprises wanting to find "pros" came to the pavilion. And they were able to do just that since the city employment service created a universal data bank of specialists with advanced qualifications. It contained information about 4,000 highly skilled professionals in various areas. Among them are quite a few members of creative unions, every fourth one has a scholarly degree, and every fifth one is fluent in a foreign language...

The long line of people still out on the street who were unable to find work here could still speak with legal experts, psychologists, and workers of the labor and employment committee. Natalya Aleksandrovna Ipatova, the committee's chief specialist, sees this as the main task of the fair.

"The unemployed, as a rule, do not have the information they need. They are experiencing a crisis, they feel lost and alone—and we persistently try to inform them of everything they need to know in this situation."

Indeed the visitor here does receive a fistful of brochures prepared by the legal consulting office and the information-publication department: "If You Expect a Staff Cut," "How to Obtain Unemployed Status," "If You Need Work." Incidentally, the last brochure ends with remarkable words: "Do not despair! Come to us..."

In general the visitor quickly forgets about how exceptional his position is—there are so many like him here...

But, of course, those who hope to be sent to work right away, as a rule, leave somewhat disappointed.

The fact is that the jobs being offered by the enterprises generally do not have the highest pay. At the same time the upper limit of the unemployment allowance is R151,000. Is there any point in accepting a rate of 100,000 (and many enterprises have jobs with wages of 50,000-70,000) when it is possible to go for nine months without working? The majority are looking for highly paid positions. There is a certain imbalance between the level of actual unemployment and the capabilities of our enterprises...

There are many clients in front of the table with the sign "Organized Recruitment," which immediately suggests that high pay is being offered. And indeed here you will be advised to go for two years, say, to America. True, the

requirements are fairly high. An engineer with a particular specialization with no less than seven years of experience and knowledge of a language can count on \$600-800 a month.

A large amount of interest was also evoked by the Soviet-German training center "Prospects" and the military labor exchange "Contact." Of course they could not get by without the energetic distributors of Herbalife. ("Do you want to get rich and healthy? I can help!"—this is written on their badges.)

There are arguments about the efficiency and effectiveness of the job fair, and here sociologists take the floor. If the last job fair was visited by 20,000 people and 6,000 chose something for themselves and about 1,000 were placed in jobs—the energy and money spent were undoubtedly recouped. So many people found out here where they could go for help and in a special issue of the newspaper they read remarkable advice from a psychologist on the subject "Sure ways of staying unemployed": "Be certain that there is no work for you in the city. Expect only the worst and then it will certainly come to pass!..." And so forth... If you read this and speak with a psychologist you will be able to avoid the typical mistakes.

In general there are many paths to take in search of a job. The job fair is one of them, but there are many others. Do not forget about the rayon center and unemployment bureau, and the Youth Labor Exchange. Do not give up.

St Petersburg Seeking Foreign Investors

944E0954C St. Petersburg *NEVSKOYE VREMYA*
in Russian 15 Jun 94 p 1

[Article by Vadim Tyagniryadno: "Petersburg Waiting for Foreign Investors"]

[Text] In the Marinskiy Palace last Saturday the third plenary session of the Commission on International Assistance to St. Petersburg came to an end.

Several dozen representatives of foreign and Russian firms and state organizations gathered for two days in St. Petersburg. The honored guest was the prime minister of Finland, Esko Aho. It was expected that Anatoliy Chubays would speak as well, but the chairman of the State Committee of the Russian Federation on the Administration of State Property did not show up. The first new item in the commission's work was the change of cochairman by the Americans. Instead of Henry Kissinger, David Ebshire, president of the Center for Strategic International Research, sat next to Anatoliy Sobchak.

Judging from the mayor's assurances, the commission had developed fairly extensive activity aimed at achieving its major goal—promoting foreign investments in the city economy. Various specific projects are being carried out under the commission's auspices. As an example Anatoliy Sobchak mentioned an agreement

signed on Saturday for the creation of a joint venture by the St. Petersburg concern Leninet and the American firm Booz-Allen and Hamilton.

The mayor is filled with optimism over the prospects of foreign investments in the city's economy. He thinks that at the present time St. Petersburg is the most attractive region for investors since this is where the most favorable conditions for conducting business have been created. The city authorities are very cautious in utilizing their right to introduce municipal taxes. As a result, in Sobchak's assessment, the tax burden in St. Petersburg is approximately 15 percent lighter than in Moscow.

Leningrad Oblast Government Criticized

944E0954D St. Petersburg
SANKT-PETERBURGSKIYE VEDOMOSTI
in Russian 15 Jun 94 p 1

[Article by Yu. Syakov, editor of the newspaper *VOLKHOVSKIYE OGNI*: "Unsatisfactory" for the Oblast Government"]

[Text] "For regular avoidance of solving the real problems of the production workers the work of the government of Leningrad Oblast for supporting industrial and agricultural enterprises shall be deemed unsatisfactory"—this resolution was adopted by a meeting of directors of industrial and agricultural enterprises of the city of Volkhov and Volkhovskiy Rayon.

"The enterprises have been picked clean," the general director of the Volkhovskiy Aluminum Plant Public Joint-Stock Company, V.I. Danilev, said at the meeting. "Agricultural workers have been driven into a corner. They do not settle accounts with us for the products we deliver to St. Petersburg. We are being ruined by incredible taxes," A.V. Arkhipov, general director of the Pashskoye joint-stock company, expressed the position of the agricultural workers.

The Syaskiy pulp and paper combine is standing idle. Ten more industrial enterprises of Volkhov and Volkhovskiy Rayon are on the verge of shutting down. Agricultural producers, transportation workers, and builders who have not been paid for months are impoverished. The fleet of the kolhoz imeni Kalinin is moored at the dock—there is no fuel and nothing with which to pay people wages.

The directors of the enterprises sent to the governments of the Russian Federation and Leningrad Oblast demands to take emergency measures to freeze prices of electric energy and fuel, to reduce the property tax rate, and lower other taxes, and concrete steps have been taken to support the producers.

Petersburg Youth Drug Problem Assessed

944E0960A St. Petersburg

SANKT-PETERSBURGSKIYE VEDOMOSTI

in Russian 17 Jun 94 p 6

[Article by O. Gridasova: "The Poison Needle and Children: Petersburg Is One of the Leaders in Number of Juvenile Addicts"]

[Text] On 14 April our newspaper published the letter "A Poison Needle," written by a mother whose son had died of drugs. This tragic story confirmed yet again that drug mania is firmly taking hold in our homes. St. Petersburg has probably the greatest number of identified juvenile drug addicts in Russia. And the average age of this juvenile drug addition in our seaport city keeps declining; the percentage of children hooked on the opium group of drugs is growing at an incredible rate: Last year 89 percent of all juvenile drug addicts used opiates. Over the first quarter of this year this figure had already risen to 93 percent! Are we prepared for this disaster? Judging by the fact that the city has just one juvenile department for... 15(!) beds operating as part of the city drug treatment clinic, our preparedness is below average, to put it mildly. But even this one department is being rent by problems. Juvenile department chief Tatyana Slavina and psychologist Olga Koltsova describe them.

"Our department was set up in March 1991 and originally was intended to accommodate 25 beds for patients between 15 and 18 years of age. Of course, these age boundaries were frequently violated in accepting patients, but within reasonable bounds. The problem was different—the real number of juveniles undergoing treatment at any given time. Fifteen was a sort of critical level, after which the department began to literally "split at the seams," which made it very difficult for medical personnel to keep a handle on the process and the children under control.

"Treating drug addicts is not an easy job. People suffering from drug addiction are very aggressive: Their will is destroyed but at the same time they are very inventive and are capable of conceiving many sophisticated methods of deceiving a doctor or a nurse in order to get hold of the drug they crave.

"To these traits that are common for all drug addicts, the juvenile environment adds its own age-related peculiarities.

"First, a juvenile is mostly peer-oriented in his behavior, and if the sociopsychological microclimate in the department is conducive to giving up drugs, the chances for success in treating the children increase dramatically. And vice versa, if the work with the collective is not successful, treating each individual juvenile becomes nearly meaningless.

"Second, a specialist working with children knows that multiple-substance addiction is most common among them: These kids are going through a stage of so-called

drug experimenting—they are looking for a drug that "suits" them most, or use whatever they can get their hands on. Therefore, it is very difficult for the medics to find an appropriate form of treatment in these conditions.

"Next, unlike adult drug addicts, who are capable of understanding the need (perhaps a last-chance one) for treatment, children completely lack the sense of danger inherent in drug use. The motivation to undergo treatment as a rule does not stem from this factor: A juvenile is brought in either by the militia or parents, but he will never come on his own. Which means he may run away at the slightest real opportunity.

"Finally, strange as it may sound, adults are more careful and neat: A veteran drug addict will rarely use a dirty syringe or an unpurified opiate (or other drug) solution. A juvenile may mix into the opium solution an inexpensive medicine—he usually has a money problem; a 'dirty' drug costs less but will deliver the same kind of 'high' as the pure one.

"So this work is not easy, and the department has gone through difficult experiences: We tried different methodologies for treating children—from complete freedom and democracy in relations with juveniles to strict compulsory measures. We read books and magazines, attended seminars held by foreign psychologists, until we understood that a child suffering from drug addiction needs first of all medical help (any psychotherapy is secondary) provided in a well designed environment. And the important part in this is the small number of children undergoing treatment in the department and the cyclical nature of accepting new patients, when a group is accepted at the same time and remains together until they are discharged four weeks later.

"A new patient coming into the treatment program has a ruinous effect on the others, and all our efforts, all the agreements we enter into with the juveniles when they are accepted, go down the drain. It is not the children's fault, since drug intoxication is a 'psychological infection' of sorts and can be easily 'transmitted' from a new patient to those who have just shaken off the burden of drug addiction.

"And we have already mentioned a strictly limited number of patients.

"Without adhering to these conditions, our work essentially turns into Sisyphean toil: The doctors want to help the children, but the existing overcrowding does not allow them to do what is best for successful treatment. The result is failure: the staff disappointed and dissatisfied with their work. So if the city truly wants to help juvenile addicts, they have to give us real help."

The opinion of professionals: St. Petersburg should have not one department for juvenile drug addicts but several clinics, where different methods of treatment will be offered.

Petersburg Youth Drug Problem Assessed

944E0960A St. Petersburg
SANKT-PETERSBURGSKIYE VEDOMOSTI
in Russian 17 Jun 94 p 6

[Article by O. Gridasova: "The Poison Needle and Children: Petersburg Is One of the Leaders in Number of Juvenile Addicts"]

[Text] On 14 April our newspaper published the letter "A Poison Needle," written by a mother whose son had died of drugs. This tragic story confirmed yet again that drug mania is firmly taking hold in our homes. St. Petersburg has probably the greatest number of identified juvenile drug addicts in Russia. And the average age of this juvenile drug addition in our seaport city keeps declining; the percentage of children hooked on the opium group of drugs is growing at an incredible rate: Last year 89 percent of all juvenile drug addicts used opiates. Over the first quarter of this year this figure had already risen to 93 percent! Are we prepared for this disaster? Judging by the fact that the city has just one juvenile department for... 15(!) beds operating as part of the city drug treatment clinic, our preparedness is below average, to put it mildly. But even this one department is being rent by problems. Juvenile department chief Tatyana Slavina and psychologist Olga Koltsova describe them.

"Our department was set up in March 1991 and originally was intended to accommodate 25 beds for patients between 15 and 18 years of age. Of course, these age boundaries were frequently violated in accepting patients, but within reasonable bounds. The problem was different—the real number of juveniles undergoing treatment at any given time. Fifteen was a sort of critical level, after which the department began to literally "split at the seams," which made it very difficult for medical personnel to keep a handle on the process and the children under control.

"Treating drug addicts is not an easy job. People suffering from drug addiction are very aggressive: Their will is destroyed but at the same time they are very inventive and are capable of conceiving many sophisticated methods of deceiving a doctor or a nurse in order to get hold of the drug they crave.

"To these traits that are common for all drug addicts, the juvenile environment adds its own age-related peculiarities.

"First, a juvenile is mostly peer-oriented in his behavior, and if the sociopsychological microclimate in the department is conducive to giving up drugs, the chances for success in treating the children increase dramatically. And vice versa, if the work with the collective is not successful, treating each individual juvenile becomes nearly meaningless.

"Second, a specialist working with children knows that multiple-substance addiction is most common among them: These kids are going through a stage of so-called

drug experimenting—they are looking for a drug that "suits" them most, or use whatever they can get their hands on. Therefore, it is very difficult for the medics to find an appropriate form of treatment in these conditions.

"Next, unlike adult drug addicts, who are capable of understanding the need (perhaps a last-chance one) for treatment, children completely lack the sense of danger inherent in drug use. The motivation to undergo treatment as a rule does not stem from this factor: A juvenile is brought in either by the militia or parents, but he will never come on his own. Which means he may run away at the slightest real opportunity.

"Finally, strange as it may sound, adults are more careful and neat: A veteran drug addict will rarely use a dirty syringe or an unpurified opiate (or other drug) solution. A juvenile may mix into the opium solution an inexpensive medicine—he usually has a money problem; a 'dirty' drug costs less but will deliver the same kind of 'high' as the pure one.

"So this work is not easy, and the department has gone through difficult experiences: We tried different methodologies for treating children—from complete freedom and democracy in relations with juveniles to strict compulsory measures. We read books and magazines, attended seminars held by foreign psychologists, until we understood that a child suffering from drug addiction needs first of all medical help (any psychotherapy is secondary) provided in a well designed environment. And the important part in this is the small number of children undergoing treatment in the department and the cyclical nature of accepting new patients, when a group is accepted at the same time and remains together until they are discharged four weeks later.

"A new patient coming into the treatment program has a ruinous effect on the others, and all our efforts, all the agreements we enter into with the juveniles when they are accepted, go down the drain. It is not the children's fault, since drug intoxication is a 'psychological infection' of sorts and can be easily 'transmitted' from a new patient to those who have just shaken off the burden of drug addiction.

"And we have already mentioned a strictly limited number of patients.

"Without adhering to these conditions, our work essentially turns into Sisyphean toil: The doctors want to help the children, but the existing overcrowding does not allow them to do what is best for successful treatment. The result is failure; the staff disappointed and dissatisfied with their work. So if the city truly wants to help juvenile addicts, they have to give us real help."

The opinion of professionals: St. Petersburg should have not one department for juvenile drug addicts but several clinics, where different methods of treatment will be offered.

minor details: an expanded right of ownership for the administration, and an article according to which the "oblast would be an independent participant in international and foreign economic ties." Lobbyist overtones in the draft were further pronounced by articles regarding centralized credits on favorable terms and "prioritization in the annual allocation of grants" from the state budget. However, the latter did not play a role. The draft was, in principle, impassable because it gave the oblast special status as a separate territory from Russia, whereupon the country's constitution does not provide for changing the status. Nonetheless, experts within the State Duma and SF went to work on the "paper." The reason for the latter was not only lobby interests, but competition from other states.

In 1989 far-sighted politicians already understood that the exercises in republic economic accountability [khozraschet] undertaken by Lithuania, Estonia, and Latvia, were a general rehearsal for their eventual separation. For Kaliningrad, which shares 250 kilometers of border with Lithuania, this promised to be a partial, although quite painful separation from the USSR. It was painful because the oblast was strongly "tied" to the USSR: 70 percent of its production was exported, and 90 percent of raw materials and components were supplied to Kaliningrad from the Soviet Union, half of which came from Russia.

The breakup of the Soviet Union only exacerbated the situation. Russia's most western oblast was "blocked off" by Byelarus, Lithuania, and Poland. It was removed from Russia by a distance of 600 kilometers over dry land, and 1,100 kilometers by way of the Baltic Sea from St. Petersburg. Kaliningrad's enclave-like location drove the local economy into difficult situation. The structure of the latter, like many other areas of the USSR's planned economy, was one-sided, molded by the ministries: the fishing industry made up 40 percent of the economy, with another 30 percent comprising the pulp and paper industry and various types of machine building. In 1992, although enterprises were given a start in the market, they were undercut by the oblast budget. A vicious cycle formed. In order to rebuild the economy, capital was needed. It did not accumulate, however, as a result of the archaic structure of the economy.

The creation of a free economic zone was seen as a way out of this cycle for Kaliningrad. The "Yantar [Amber]" SEZ [Free Economic Zone], with favorable tax and customs regulations and a simplified procedure for export-import operations, was officially made law by an ukase issued by Boris Yeltsin in June 1991. This document, however, like the three presidential ukases that followed, were ineffectual. That is, on the one hand the central authorities gave tax advantages to enterprises operating in the SEZ, and on the other hand they were taken away (in particular, by decree of the former Supreme Soviet on October 7, 1992). An ukase issued by Boris Yeltsin in June 1992 gave the SEZ export tax advantages. However, these privileges were reduced to nothing at the start as a result of the passage of the law

"On the Customs Tariff." Of the three years that this "free" economic zone existed, Kaliningrad managed to take advantage of such economic freedoms only for a total of seven months.

In short, a large influx of capital did not occur. Last year the foreign trade turnover for the oblast came to a total of 210 million dollars. Foreign business risked a negligible amount, 3.8 billion rubles, on start up funds for enterprises in the Kaliningrad territory. This ridiculous sum only further emphasized the failure of the "Yantar" idea. The impotence of local authorities was made evident by the former director of the Kaliningrad Amber Kombinat, Mr. Matsyavichus, who sold 100 t of amber at dumping prices to the U.S., as a result of which Russia lost approximately one million dollars. This tactic worked because Mr. Matsyavichus, having conveniently gone to Lithuania, was not required to license his transactions with local authorities; federal regulations made no provisions for the latter.

Strictly speaking, the efforts made by Kaliningrad authorities to obtain special status for the kray through federal law was essentially an attempt to protect the kray from the legal chaos of Russian reforms, and create a working mechanism for economic growth. "Unfortunately," wrote the American publication NEWSWEEK not long ago, "judging by all appearances, Moscow is not in a position to decide whether it intends to maintain Kaliningrad as a military outpost, or change it into a revitalized duty-free economic zone."

Moscow's "thoughts" on the matter surround the fact that its western outpost is becoming more and more like a besieged city. The free trade system is virtually not spreading to Kaliningrad. Lithuania imposed mandatory security deposits in the sum of three thousand dollars for loads supplied to Kaliningrad. A Russian supplier must now declare his goods three times - when taking the goods out of Russia, on the Byelarusian border, and again at the Lithuanian border - plus pay the security deposit at customs. On the return trip, as a rule, the money is not successfully returned. In essence, the Russian enclave forsaken by the "motherland" is reaping the fruits of its isolation: rail transport is 1.6 times more expensive than in Russia, and the price of electric power from Lithuania is 1.9 times higher.

The bigger the problems surrounding Kaliningrad, the greater the interest shown by neighboring states for the kray, which is both one of a kind with regard to its possibilities, and important in a geopolitical sense. More and more frequently the city's old name, Kenigsberg, is cropping up. Reminders are being made of the upcoming 50-year anniversary of Potsdam, with suggestions being given that the agreements should be examined in a new historical context. However, the oblast's population of 900 thousand considers itself Russian and does not want to give up the city, taken in 1945 at the cost of a great deal of blood; a Russian city at one time given to Prussia by the Empress Katherine the Great.

It appears, the law on Kaliningrad is ready, and for this reason it is warranted that the oblast administration urgently push it through the Federal Assembly. This is one of those rare instances when regional lobby interests correspond with the national interests of the country. It is another matter, as the experts suggest, that it should be a law not on the status of the Kaliningrad oblast, but on strengthening Russia's sovereignty within this Russian territory. In all likelihood, this law should be accompanied by a number of specific economic decrees and should balance the interests of the state and region. Of course, when an initiative "from below" is replaced with an initiative "from above," its passage through parliament is made much easier. The fact cannot be disregarded, however, that the discussion of a draft of this kind of law has already given rise to discontent and mild envy within the leadership of the 25 border oblasts in Russia. Thus, it is necessary to be prepared for a pointed question on their part: "What makes us any worse?"

Nonetheless, there are many more reasons for not further hindering the law. In particular, the well known deputy Zh. will arrive today in Kaliningrad, and knowing his temperament, it is not difficult to imagine how he will play up the topic of the "Germanization" of the kray and the infringement of the interests of the 78 percent of Russians living here. It will be a pity if Russian authorities do not beat the trump-card he holds.

INTERNATIONAL AFFAIRS

Tax System Seen as Obstacle to Foreign Investment

944Q0410A Moscow *EKONOMIKA I ZHIZN*
in Russian No 14, Apr 94 p 3

[Article by G. Petrova: "The Taxation of Foreign Legal Entities: An Incentive or an Obstacle for Foreign Investments?"]

[Text] The Tax Code—Why and What Kind? We Continue a Topic That Was Begun in Issues No. 5 and 8 of *EKONOMIKA I ZHIZN*

The system of legal regulation of the taxation of foreign investors impacts directly upon the influx of foreign investments into Russia. Therefore, it is obvious that the lack of codified and systematized tax legislation, and the ignoring of the worldwide practice of legislative formulation of a corporate tax (tax on the profit received by a corporation or by transnational corporations), lead to an increased risk in the obtaining and planning of profit by foreign investors. The enactment of the RF [Russian Federation] Tax Code at the level of the international requirements for a document of this type would considerably facilitate the understanding by investors of the prospects and opportunities for investment activity in Russia.

According to the evaluations made by Russian and foreign experts, the existing norms, approaches, and principles for the taxation of foreign legal entities in Russia have been insufficiently coordinated with the methodologies, norms, recommendations, and rules for the taxation of foreign firms that were developed either by international organizations or in the national tax laws of individual countries.

Without dwelling on the overall shortcomings of the tax legislation and the paths for improving it as a whole, it would seem to be important to direct attention to the possible approaches to the content of the section in the Tax Code draft that concerns the taxation of foreign legal entities, that is, various foreign companies, transnational corporations, financial and commercial structures, and international organizations and associations that are legal entities with regard to foreign law and that operate on the territory of the Russian Federation through a permanent representation.

Object and Rates of Taxation of Foreign Legal Entities

In conformity with the indicated acts, the object of taxation for foreign legal entities operating in the Russian Federation through a permanent representation is the part of the foreign legal entity's profit that has been received in connection with its activity in Russia (the rate of the tax on profit is 32 percent; the rate of the tax on profit from middleman operations and transactions is 45 percent; the rate of the tax on income from bank operations and transactions is 30 percent; and the rate of the tax on insurance activity is 25 percent).

Foreign legal entities that are not linked with activity through a permanent representation in the Russian Federation also pay a tax: on the dividends (including income from profit distributed in favor of a foreign participant in an enterprise that was created in Russia with foreign investments), interest at the rate of 15 percent; income from freight paid to foreign legal entities in connection with the carrying out of maritime, rail, motor, and other international shipments, at the rate of 6 percent; and other income, in particular from leasing, and the use of licenses and copyrights, at the rate of 18-20 percent.

The application of the rules of an international treaty is defined by the overall principles of the correlation of international and national law that have been established by Russian legislation. An international treaty is applied if it has established more advantageous rates of taxation than in the RF national law. The foreign legal entity in this instance is obliged to submit to the RF State Taxation Service a statement concerning its right to benefits according to an international treaty and a confirmation of the fact of permanent residence in the Russian Federation.

State of the Taxation of Foreign Investments

The overall state of the taxation of foreign investments has several essential shortcomings.

First, the generally accepted scheme for legal regulation of this question by means of an instructional methodology does not reflect the entire range of questions in the legal regulation of the taxation of corporations (which, in fact, for the most part do have representations in Russia), which range of questions is generally accepted in worldwide practice. Actually, the attention is directed chiefly at the most general methodological norms, in which, in a compressed and mixed form, a non-systems approach is taken to defining the procedure for computing profit, the method for computing income and expenses, the procedure for submitting declarations, the applicable law, and other important questions. But the same text completely confuses categories that are purely economic, legal, and international-legal; most of the norms that are generally accepted in world practice are completely lacking; and numerous references to the departmental instructional guides issued by other financial and bank agencies create in the foreign partners a sense of the chronic instability of tax regulation.

Secondly, even as compared with 1989-1991, the system of legal guarantees for foreign investments, especially in the area of taxation, has changed for the worse. At the present time the general legal system of preferential taxation extends to joint and foreign enterprises (as well as for Russian enterprises). Obligations were introduced to pay customs duty, starting in June 1992, and a special tax on import (introduced by a presidential edict of 22 December 1993). These and other limitations counteract the influx of foreign investments. There is no doubt that the reason for such strict measures lies in the dynamic middleman activity of the representations of foreign corporations in carrying out trading export and import operations in the market of Russia and the countries in the CIS, which rejected the many times more profitable investments that have become risky as a result of inflation and chaos. Thus, a situation has developed where the legal system of taxation of foreign investments contradicts the legislation that governs foreign investments and the insuring of foreign capital against the actions of state agencies that are causing damage.

Thirdly, an analysis of the legal forms of taxing the profit of foreign corporations and other economic subjects attests to the lack of coordination between the tax and investment legislation in that area. The question of incentives and benefits should not be viewed in isolation from other aspects of the overall strategy for attracting foreign capital into individual sectors of the economy. The confused and contradictory state that is still preserved in Russian practice with regard to the legal base of foreign investments increases the risk, reduces the expected profit, and forces the investor to reject plans that have been proposed.

Principles of the Taxation of Foreign Corporations

The overall principles for the taxation of foreign corporations that are to be consolidated in a single act for tax regulation, the Tax Code, could include the scheme for corporate taxation that is generally accepted in world

practice. Its essence lies in the following: If income has been defined and the income that is not subject to taxation is excluded, deductions are made for computing the taxable net profit, to which special tax rates are applied. The customary commercial exceptions include: the expenses incurred in order to obtain income; depreciation of production equipment; payment of interest on credit; bad debts; and wages. Any losses that have arisen as a result of activity, but that were not previously indicated for reducing the indebtedness, can be taken into consideration if they were not represented for objective reasons. Provision is made for the possibility of applying exceptions for items that are linked with an increase in the depreciation of production equipment.

After the tax has been determined, sums of money that are determined by the benefits are deducted from the total amount of tax computed by the tax agencies. The proposed types of benefits are defined by the legislation on the basis of various criteria: for the introduction of new technological schemes; for the guaranteeing of the employment rate and organizing the labor of disabled individuals; for the use of energy-saving technological schemes and new types of energy sources; and for philanthropic activity and the protection of the environment. Legislation defines the methods of computing the income and expenditures, as well as the period of time when the income arrives and the expenditures are made.

The principles that are generally accepted in world practice for taxing the profit of foreign corporations are stated in the 1986 U.S. law entitled "On Tax Reform," [the following words, up to the close parens, were in English in the original] UNCTAD Programme on Transnational Corporation "World Investment Report 1993: Transnational Corporations and Integrated International Production." An. Executive Summary (Transnational Corporation, vol. 2, No. 2, August 1993). Russian tax legislation regulates individual aspects of this question in various instructional manuals concerning the taxation of the profit of enterprises and organizations in those limits that do not contradict the legislation governing foreign investments and international treaties that are concluded by Russia with foreign states. Definite principles and approaches are set forth in the Explanations of the RF State Tax Service with regard to individual questions that are linked with the application of tax legislation governing the taxation of profit (income).

The law governing foreign investments, in Articles 7 and 28, confirms the role of the international treaty in reinforcing the principle of the elimination of dual taxation and the guarantees of the protection of foreign investments against forced seizures and the illegal actions of officials.

International Treaties Concerning the Avoidance of Dual Taxation

International treaties concerning the avoidance of dual taxation and the prevention of the avoidance of taxes on income and capital are a condition for the balancing of

the mutual interests of two or several countries that are self-interested in the mutual protection of capital investments and the guaranteeing of an identical tax system for the economic subjects of the contracting countries. A treaty is applied to essentially any taxes on profit and income that will be levied after the date of signing the treaty, in addition to the existing taxes or instead of them, including taxes analogous to those that have already been established by one state, but not established by the other, and which will subsequently be introduced by it. Competent agencies of the contracting states inform one another about any substantial changes in their tax laws and about any official tax explanations or instructional manuals that pertain to their mutual interests.

The tax code must consolidate the principles and approaches for eliminating dual taxation through a mechanism of national and international law. In conformity with the provisions in the RF legislation governing the elimination of dual taxation for foreign investors, the state guarantees the elimination of a situation when two states, in the person of their tax agencies, state their legal claims for one and the same capital, that is, they feel that both countries have tax jurisdiction over the income derived by one and the same legal entities. In those instances when the place of residence and the place of extraction of the income are different, dual taxation may arise. In conformity with the provisions and with consideration of the limitations of the legislation of each state (which, from time to time, may change with the transposition of the basic principle), each contracting state authorizes individuals with permanent residency in it to use, as an offset against the tax on profit, the same tax on profit (income) that has been paid to the state by the same individuals with permanent residence.

A question that requires special regulation is the question of the application of foreign law and the limits of the action of the national legislation of foreign countries. A foreign legal entity operating on the territory of the Russian Federation in conformity with an international treaty governing the protection of capital investments and the prevention of dual taxation, and on the basis of RF legislation governing taxation, is not limited in the application of its national legislation in order to adjust its income, deductions, and benefits offered in the form of an offset or other benefits, in instances when that is necessary to prevent the avoidance of taxation or the incorrect reflection of the income derived by foreign legal entities. The interpretation of the methodologies and the content of the foreign law must be submitted by an official foreign agency to the RF tax agencies.

Competent agencies of the cooperating states must attempt to resolve on the basis of mutual agreement the following questions of application and interpretation of tax regulation: the identical referral of income, deductions, offsets, or benefits to permanent representations of the economic subjects of both states; the identical description of individual items of income; the identical

application of the rules for defining the source of specific items of income; and the overall understanding of the terms of the national tax legislation of each country.

The overall principles of the application of [word missing] law in international [word missing] and the relations of economic subjects have been established in Articles 156-169 of the Principles of Civil Legislation, 1991.

World practice devotes special attention to the taxation of transnational corporations in connection with their special scale of impact on the economy and the resources of individual countries and the superprofits that are to be obtained. A transnational corporation means an economic organizational formation, or unity, consisting of a conglomerate of a mother company and daughter associations, branches, and divisions in various states, which are legal entities and which operate according to the laws of the respective states. The principles for the conduct of TNK [transnational corporations] in the national markets presuppose the observance by the TNK of the conditions pertaining to financing, taxation, accounting, reporting, the coordinated method for determining the taxable income and the criteria for increased and preferential tax rates. National monitoring of the TNK's activity presupposes state measures to establish increased tax rates and sanctions in the event that the TNK violates the conditions of international law that govern their conduct in the national market, pollutes the environment, or derives superprofits as a result of the exploitation of the natural resources.

Basic Legal Acts

The RF law "On Tax on the Profit of Enterprises and Organizations."

The RF law "On Principles of the RF Tax System."

The RF law "On Foreign Investments."

The instructional manual of the State Tax Service, "On Taxation of the Profit and Income of Foreign Legal Entities," 27 May 1992.

The RF State Tax Service letter, "On Taxation of Enterprises Situated in Free Economic Zones," 29 June 1993.

Explanations of the State Tax Service with regard to individual questions linked with the application of the tax legislation governing the taxation of the profit (income) of legal entities, 14 September 1993.

Treaty between the Russian Federation and the United States concerning the avoidance of dual taxation and the prevention of avoidance of taxation with respect to taxes on income and capital, 17 June 1992.

Russian Federation treaties with individual states concerning the protection of reciprocal capital investments and the prevention of dual taxation.

This material is being published for purposes of discussion.

U.S. Business Delegation Visits Far East

944Q0411A Moscow KOMMERSANT-DAILY
in Russian 1 Jun 94 p 4

[Article by Georgiy Bovt and Denis Demkin: "The Pioneers of the 'Russian Klondike' Will Have the Support of the Administrations of the United States and Maritime Kray"]

[Text] The tour of the Far East by a delegation of U.S. businessmen (including executives of 21 companies) that came to an end yesterday would not have attracted much attention—because such visits are far from rare—if it had not been for one fact: The trip was organized by the Federal Overseas Private Investment Corporation [OPIC], and the delegation was headed by Ruth Harkin, its president. OPIC is one of the main institutions of the U.S. Administration promoting private investments in countries where businessmen would not dare to tread without the support of the American Government. For this reason, the administration's "sanctification" of capital investments is much more significant than the specific amounts of the guarantees and insurance extended by OPIC.

OPIC was founded in 1971 to support private U.S. investments in developing countries and countries with a transition economy. It is active in 140 countries. It has the status of a federal agency and is an extremely important instrument of foreign policy, the enhancement of the competitiveness of American firms, the creation of new jobs, and the augmentation of U.S. export potential. Since 1971 OPIC has guaranteed support for projects totaling 60 billion dollars (26 billion for direct U.S. exports). The main areas of OPIC activity are the extension of medium- and long-term credits (direct crediting is the preferred option when small U.S. businesses are involved in projects); the insurance of investments against political risks, the nonconvertibility of local currency, and expropriation; and consulting. All OPIC commitments are guaranteed by a reserve fund (\$2 billion in 1993). OPIC also receives allocations from Congress.

Ruth Harkin, who has been the president of OPIC for less than a year, wanted the corporation to be more active within the territory of the former USSR from the very beginning of her term. In 1993 OPIC extended guarantees to investors in Russia totaling \$290 million (of 391 million for the former USSR), which resulted in the attraction of \$470 million in private capital investments. A plan is now being drawn up for the support of projects totaling \$2.5 billion.

During the tour of the Far East, the OPIC delegation visited Vladivostok and Khabarovsk and then split up, with some members going to Magadan and the rest heading for Sakhalin. The delegation members represented such companies as Texaco, U.S. West, Pioneer Group, Inc., Scott European, and others. The Russian part of the delegation (representing more than 150 businessmen) was headed by Yuriy Shafranik, head of the Ministry of Fuel and Power Engineering, and President Yuriy Petrov of the Russian State Investment

Corporation. At the end of the visit Harkin said that American firms have every chance of success in this region: "We sensed the genuine desire of territorial administrators to establish a good investment climate."

OPIC's present activity in the Far East could be described as a "probe." The corporation recently began work on a "Project Development Program" (PDP). It envisages the analysis of investment possibilities, the offer of up to \$50,000 to potential investors from the United States, or 50 percent (75 percent for small firms) of the cost of preinvestment analyses of the commercial advisability of capital investments (market analyses, the compilation of business plans, experimental project development, etc.). The "money at work" at this time still consists only of a supermarket in Vladivostok and a gold- and silver-mining joint venture in Magadan Oblast. The latest tour resulted in plans for around 10 more projects with OPIC participation, and possibly with the participation of Petrov's corporation. In particular, these would include the renovation of the port of Vanino, the construction of a highway along the Tatar Strait, the remodeling of a refinery in Komsomolsk-on-Amur, and several projects in the food industry, power engineering, and air traffic control.

The visit included a conference with representatives of local administrators and businessmen on "The Investment Climate and Investment Opportunities in Maritime Kray," where the Russian point of view was defined. Incidentally, this was not the only opinion expressed: During another discussion—"How Is Business in Russia? The View from the United States"—the speakers were American. In Vladivostok Yuriy Petrov expressed the hope that the laws on foreign investment, free economic zones, and concessions would be revised in the near future to stimulate foreign investment. At this time, however, American investment activity in Maritime Kray is incomparable to Chinese investments: Of all the joint ventures registered in the kray, 79 were formed with American partners and 283 firms were founded with Chinese participation.

Local administrators want to curb this tendency. As Maritime Kray Vice Governor Valentin Dubinin told the delegates, the kray is the "Russian Klondike." He also made a public announcement that because of the meager financing for kray socioeconomic programs, kray administrators are prepared to offer investors from the United States the most favorable conditions, referring to tax, customs, and leasing privileges and also to guarantees of personal safety. These promises have a completely definite purpose: Local administrators have been planning to declare the economic autonomy of the kray for a long time (a bill on the special status of Maritime Kray has already been forwarded to the State Duma), which would give the members of the local bureaucratic and commercial elite the freedom to make their own

decisions. At a recent press conference, Maritime Kray Governor Yevgeniy Nazdratenko said he had discussed the matter with Boris Yeltsin and had secured his promise to support the plan.

Russia, Czech Republic Agree on Debt Repayment Strategy

944Q0411B Moscow NEZAVISIMAYA GAZETA
in Russian 2 Jun 94 p 2

[Article by Aleksandr Kuranov, NEZAVISIMAYA GAZETA East European Bureau: "Russia and the Czech Republic Have Agreed on Methods of Debt Repayment"]

[Text] A Russian-Czech agreement on the payment of Russia's debts in the amount of around \$3.5 billion was initiated after three days of negotiations in Prague. The Russian delegation at the talks was headed by First Deputy Minister of Finance Andrey Vavilov, and the Czech delegation was headed by his counterpart Vladimir Rudlovcaik.

The agreement stipulates that part of the debt will be repaid with shipments of our goods, and part will be repaid by means of its capitalization. The latter is of particular interest to certain Czech enterprises, which will try to bring some of their production units closer to the consumer by exchanging debts for a share of the property of Russian plants scheduled for privatization, and which are likely, in the hope of some managers here, to employ cheap Russian manpower.

This is precisely how the world-renowned Skoda concern (Plzen) repaid most of its debts in Russia. Its specialists drafted a plan for the privatization of a railroad locomotive repair plant in Yaroslavl. According to participants in the current negotiations, the capitalization of part of the Russian debt will promote more closer and more productive contacts between our own producers and Czech producers—contacts that were reduced to a minimum after the breakup of CEMA.

French Opposition to Russian Uranium Exports Hit

94WP0100A Moscow KOMMERSANT in Russian
No 19, 31 May 94 pp 28-31

[Article by Nikolay Arutyunov, Marina Shpagina, and Nikita Kirichenko: "Whether They Were Robbed or They Were Robbed"]

[Text] Last week French Minister of Foreign Affairs Alain Juppe parted with his Russian counterpart Andrey Kozyrev and set out for his homeland, carrying with him an agreed-upon decision on the problem of Russian nuclear exports to Europe. This question, which remains controversial to this day, had blocked the signing of an Agreement on Partnership Between Russia and the EU that was virtually ready. France remained Russia's only opponent on the issue of uranium exports; so now the

last obstacle appears to have been removed. As staff members of the Russian Ministry of Foreign Economic Relations state, France did not succeed in persuading Russia to make any additional concessions. Russia gained the possibility of selling goods belonging to the nuclear cycle without restriction in Europe. This is a question of exports worth something on the order of \$200-300 million a year.

Back at the end of last year Boris Yeltsin and Jacques Delors announced that the Agreement on Partnership and Cooperation Between Russia and the European Union (the APC) was practically ready for signing. And at that time hardly anyone would have supposed that the treaty would still find itself more than once on the brink of collapse.

Generally speaking, there were two disputed points: restrictions imposed by Russia on the activities of foreign banks, which were forbidden to work with permanent residents, and uranium exports from Russia to Europe. A resolution of the first question was found rather quickly—Russia agreed that, of course, it was a bad idea to chase away foreign banks from its doorstep while desiring to attract foreign investments. And the EU, for its part, agreed, "depending on the condition of Russia's financial system," to wait during a transitional period (three to five years) for the restrictions to be lifted.

On the second issue, however, a hitch came up. On the one hand, the EU member-countries expressed a desire to distance themselves from this problem, since none of them but France, the sole European Union member-country with a major uranium industry, were directly affected by Russian uranium exports. On the other hand, France could have blocked the agreement as a whole in the vote in the EU Council. The EU's attempts to mediate in the negotiations were unsuccessful. It was then that it was decided to bring the two "disagreeing" sides together directly. However, the French side had little chance to succeed: By this time Russia had managed to "neutralize" the forces that might have supported France in its fight for the uranium market.

Chronicle of Preparation of the Agreement on Partnership and Cooperation Between the EU and Russia

November 1992—negotiations begin.

June 1993—Russia refuses to sign the agreement at the EU summit in Copenhagen. The main reason for its refusal is the treatment of Russia in the draft document as a country with a state trade system, with the resulting discriminatory measures with respect to Russian goods.

October 1993—Russian Vice Premier Aleksandr Shokhin and Leon Brittan, vice-president of the EU Commission, agree to recognize Russia as having the special status of a country with a transitional economy.

9 November 1993—the EU Council approves the October agreement between Aleksandr Shokhin and Leon Brittan.

11 November 1993—during a visit to Moscow Jacques Delors, president of the EU Commission, announces the completion of negotiations and their movement to the stage of polishing the technical details of the text.

9 December 1993—during a visit to Brussels by Boris Yeltsin a political Declaration on Partnership and Cooperation Between the EU and Russia is signed; it is decided that the agreement itself should be signed in the near future.

February 1994—Michael Emerson, the EU Commission's emissary to Moscow, announces the EU Commission's decision to hold a new round of negotiations on disputed issues in the agreement, including trade in Russian goods belonging to the nuclear cycle and the activities of foreign banks in Russia.

2 May 1994—at a meeting between Aleksandr Shokhin and Leon Brittan a compromise is reached on all disputed issues in the agreement.

11 May 1994—the EU Commission announces the conclusion of negotiations.

16 May 1994—at the EU Council France announces the draft agreement unacceptable and blocks a Council decision to vote on the draft.

19 May 1994—during a visit to Moscow, French Minister of Foreign Affairs Alain Juppe announces the absence of any fundamental disagreements in the positions of France and Russia on the agreement.

2 June 1994—the EU will consider the results of the negotiations between France and Russia.

A Bad Peace Is Better Than a Good Quarrel

It was the Americans who originally initiated the anti-Russian uranium campaign, but it is their policy now that angers France the most. Back in the summer of 1992 the U.S. Department of Commerce accused Tekhsnabeksport [expansion unknown] (which was representing CIS interests) of artificially lowering prices, and it announced the possible imposition of a 116 percent antidumping tariff on Russian uranium. Russian experts did not admit the facts of dumping, declaring that American and, along with them, European competitors were simply trying to knock Russia out of the American market. There is no telling how the altercation would have ended, but at that point the occupant of the White House (the American one) was replaced. And a compromise managed to be reached with the new Bill Clinton administration by the end of 1992: The Americans suspended the antidumping investigation of Tekhsnabeksport, and Russia agreed to a 10-year period of "price" quotas (deliveries were to be cut off immediately if the price for unenriched uranium fell below \$13 per pound).

Although Russian diplomacy regarded the agreement as an indisputable success, on the whole this case dealt a severe blow to the Russian uranium trade: In connection with the antidumping investigation, not a single uranium delivery was officially made in 1992, and since the price of uranium then dropped below the threshold mark (\$13), the resumption of deliveries was put off for an indefinite time.

It was then that European uranium producers started feeling intensified pressure on the market from their Russian colleagues especially keenly. France pledged to donate \$12 million to Russia for the November-December 1992 period alone for the dismantling of nuclear warheads, in order that the uranium obtained would be used for peaceful purposes—hopefully, of course, outside of Europe. But at the same time Tekhsnabeksport held negotiations with Euratom on expanding the Russian presence in the European uranium market. And Euratom agreed to raise quotas on deliveries of natural uranium from Russia to Western Europe from 13 percent in 1992 to 25 percent in 1994.

It was not without influence from the uranium settlement in Europe that in early 1993 the United States lowered its demands with respect to Russian uranium exports; the United States agreed to consult with the Russian Ministry of Atomic Energy before setting the next quotas. And instead of the "uranium war" that had been expected in mid-1992, a great "uranium peace" set in (until 2002). In March 1994 Russia and the United States signed an agreement on deliveries of Russian highly enriched uranium that should bring Russia \$10 billion in 10 years.

Mr. Juppe Is Opposed

The prospects of a Russian-American uranium friendship (which does not rule out, of course, the possible re-export of Russian uranium from the United States to Europe) became one of France's main arguments against the signing by Russia and the EU of the Agreement on Partnership and Cooperation. The demands that Alain Juppe brought to Moscow on 19 May were already known to the Russian side. They came down to the need for the prompt introduction of quantitative quotas on exports of Russian uranium and guarantees against dumping on Russia's part. It is perfectly natural that in negotiations with France and in subsequent interviews the Russian delegation stressed the impossibility of "uranium" dumping. It *should* be impossible for the reason alone that there are strict controls, which have been preserved since the times of the GULAG, over the extraction and enrichment of ore and the production of goods belonging to the nuclear cycle, which is carried out under the strict control of the state and, consequently, in conformity to all international export rules. However, the French fears do not appear all that groundless.

There are numerous examples of uranium being shipped out of Russia totally without control—in barrels, in athletic bags, and so forth. Back at the end of 1991

several foreign newspapers reported that from October through December 1991 several lots of various quantities of radioactive materials, ranging from four grams to 40 kilograms, were intercepted in various European cities—Vienna, Prague, Zurich, Como. Investigators (Interpol specialists) stated that they were part of a single lot of contraband uranium and plutonium stolen from the Irkutsk Mining and Enriching Combine, and they noted that there was a well-developed pattern of illegal deliveries of Soviet nuclear fuel through Europe to Third World countries (for example, Libya or Iraq). On 9 March 1992 the Munich criminal police announced the arrest of two former citizens of the former USSR who had been attempting to sell 1.2 kg of uranium-235. On 21 October of that same year two people from the Udmurt city of Glazov were arrested at the border crossing at Brest attempting to carry out 2 kg of uranium to Poland in their hand luggage. One of the men arrested told the Belorussian procurator's office that he had another 1.5 kg hidden away in Glazov (it was later discovered in the local cemetery). Soon afterwards, these criminals' accomplices, 12 people in all, were also arrested; altogether about 80 kg of uranium was found at that time. After that incident Polish border police were issued Geiger counters.

One major theft last year was from the Luch enterprise, which does secret work (Podpolsk): Smirnov, a member of the plant's managerial staff, stole 1.5 kg of enriched uranium. In July an associate of the Siberian Division of the Russian Academy of Sciences was arrested attempting to take 12 kg of enriched uranium out of the country. In August, staff members of the Moscow Main Internal Affairs Administration's Administration for Combating Economic Crimes arrested someone from St. Petersburg on Kurchatov Square attempting to sell a container of filings (uranium-235 and uranium-238) weighing a total of 4.5 kg.

At the beginning of this year 12 kg of uranium-238 was confiscated during Operation Trawl in Novosibirsk Oblast. And in April, according to the ATLANTIC MONTHLY, Russian special services in Izhevsk "seized" 132 pounds (59.8 kg) of stolen highly enriched uranium (which is enough to make three bombs similar to the one dropped on Hiroshima). Yet that is only part of the part that was "caught." And although "deliveries" of that sort, of course, could hardly influence existing prices on the world market, they make Russia's negotiating partners extremely nervous, and the Western press has seriously expressed fears that "the mafia, which does not, of course, take orders from Euratom, will get its hands on uranium from Soviet nuclear missiles." Let us leave that claim to the conscience of our foreign colleagues. But it is impossible not to admit that even without these utterly unregulated suppliers, the world nuclear community has plenty of grounds for worry.

The greatest danger for the European, as well as the world, market lies in the consequences of state nuclear exports from countries of the former USSR. Last week, on 24 May, at the first annual meeting of the World

Nuclear Fuel Market (the WNFM, an international organization that monitors the world uranium business, comprises 87 companies from 18 countries) in St. Petersburg, it was noted that the Western market could be flooded by shipments from the countries of the former USSR—Ukraine, Russia, Kazakhstan, Uzbekistan—which have amassed huge reserves of uranium and need hard currency. There are grounds for believing that. First: The republics of the former USSR have 40 percent of world reserves of natural uranium, which is mined mainly in Russia, Kazakhstan, and Uzbekistan (each of which has 30 percent of Russian reserves) and in Ukraine (9-10 percent). Uranium processing is carried out in Russia, Kazakhstan, Uzbekistan, Kirghizia [Kyrgyzstan], Tajikistan, and Ukraine; granted, enrichment is done only in Russia. Second: Not just these but other former Soviet republics have announced their desire to join the post-Soviet nuclear club: A year or year and a half ago, for example, Kirghizia reported that it intended to enrich the world market with uranium-235 and -238. Kirghizia's President Askar Akayev discussed the possibilities of supplying enriched uranium to India. And finally, third: Whereas before the Union's collapse its enterprises supplied uranium fuel for only 2.8 percent of Western nuclear reactors, by 1993 this figure had jumped to 15 percent.

Deliveries of cheap uranium from the former USSR and China have so upset the world market that foreign experts believe that, even if they were completely stopped, prices would not stabilize until 2000. And right now they are the lowest they have been in nearly 40 years.

Hurrah, We're Breaking Through...

Despite the facts just cited, in negotiations the Russian side firmly rejected raising the question of the immediate imposition of quotas. As a representative of the Ministry of Foreign Economic Relations told a KOMMERSANT correspondent, the point is not so much export volumes (although no one is discounting \$200-300 million a year) as considerations of principle: Concessions to France on this issue would be "a dangerous precedent and would upset the balance of interests that has been found with such difficulty." In all fairness, let us say that in the negotiations the French side failed to present any specific evidence of dumping on Russia's part. And in the opinion of Maksim Medvedkov, director of the Ministry of Foreign Economic Relations Administration for Multilateral Cooperation, if facts of that sort had been available, antidumping procedures would have been initiated on the part of the EU. So the Russian side had every reason for declaring France's demands "unwarranted and unsupported."

Experts at the Ministry of Foreign Economic Relations claim that since early 1990 Russia has exported around 3,500 tonnes of natural uranium to the European market and that it does not intend to increase volumes in the near future. Moreover, the EU countries do not produce more than 20 percent of what they use, and Russia's

share comes to approximately 13 percent of Europe's total imports of this type of uranium. In the Russian side's opinion, for this reason alone it is impossible to speak of undermining the market. And shifting from defense to offense, the Russian side puts forward the proposition that France is defending not the market but merely the interests of Cogema, a quasi-state French company that specializes in the production of goods belonging to the nuclear cycle. The latter supposedly has made large investments in Gabon, Nigeria, and Canada, and in order to justify those investments, it needs to ensure imports of uranium from those countries, which is what is happening in fact, according to the information of the Ministry of Foreign Economic Relations. The shadow of Cogema, in the opinion of Ministry of Foreign Economic Relations specialists, can also be detected in the position of Euratom, which this January imposed a ban on a German enterprise's purchase of 400 tonnes of natural uranium of Russian origin (Russia received permission to export only 40 tonnes).

Russia acknowledges Euratom's right to restrict exports (this is included in the agreement with the EU); according to Euratom's rules, no state's share of uranium imports by the EU countries is supposed to exceed 25 percent). However, the issue lies in the interpretation of that quota. France, for example, insists on including all the countries of the former USSR in that 25 percent (which is unacceptable to Russia for both economic and political reasons); moreover, it considers that each individual enterprise's share should not exceed one-fourth of a country's quota. And that, in the opinion of the Ministry of Foreign Economic Relations, amounts to an attempt to "wage war without rules."

The same players figure in trade in enriched uranium. The EU produces about 80 percent of its own needs, and the rest is imported from Russia and the United States in approximately equal shares. The European share is divided between the French Eurodif (51.5 percent of its stock belongs to the aforementioned Cogema) and the Dutch-British-German company Uranco. The Ministry of Foreign Economic Relations insists that Eurodif uses obsolete technology, because of which the prices for its products are approximately 30 percent higher than those of its main competitors, and the ministry hints that Cogema, in order to compensate for high prices for its own products, is reselling cheaper Russian unenriched uranium.

In the opinion of Ministry of Foreign Economic Relations experts, the threat of the re-export of Russian uranium from the United States to Europe is also a myth: The American market is bigger than the European market by a factor of 1.5-2, and the Russian share in it is about 10 percent. If in the next year or two the Americans close any of their enterprises (which Cogema's president Jean Syrota does not rule out, incidentally), there will most likely be no resales). But even if, contrary to expectations, resales should occur, the agreement

provides for the possibility of imposing—after appropriate consultations—individual quantitative restrictions on direct deliveries of Russian uranium to Europe.

What We Will Get From This

And so, after the draft agreement was supported by the EU and all the EU member-countries but France, and Russia rejected the proposal to seek a compromise, the French delegation was forced to remove its complaints from the agreement negotiating table. Now the agreement has once again come up to the point of being signed. Although the process of ratification by all the parties (and along with Russia and the EU Commission, all 12 EU member-countries must sign the agreement) may take about a year and a half to two years, it could be put into effect much faster.

Back during Boris Yeltsin's visit to Brussels last December it was decided to prepare another Provisional Agreement along with the main text of the agreement. That document duplicates all the provisions of the main text that do not require ratification by the parliaments: that either lie within the authority of governments or do not go beyond existing legislation. The Provisional Agreement amounts to about half of the main text in length and could go into effect as of the moment of the signing.

As KOMMERSANT has already reported, the signing of the agreement will improve Russia's positions in West European markets for goods and services. No one will be able to reproach it for "malicious" dumping if it can prove that low prices for a good are attributable to "natural competitive advantages"—the accessibility of raw materials, specific features of the production process (low unit-cost), or finally, simply the low quality of the good.

In addition, the imposition of any restrictions on deliveries of Russian goods to the EU will be preceded by mutual consultations, which will allow Russia more maneuvering space: Whereas the imposition of antidumping tariffs—usually set at the level of 20-40 percent of the import price—in effect closes access to the market for Russian producers and exporters, the replacement of those tariffs by quantitative restrictions (quotas) at least makes it possible to preserve that access.

The signing of the agreement is also important because it can, to a certain extent, make it easier for Russia to join the GATT (see KOMMERSANT, No 15). The text of the agreement is as close as possible to the texts of agreements adopted within the GATT framework, and in practice this will mean the extension to Russia of all the commitments that the EU assumes vis-a-vis its GATT partners. Thus, Europe is becoming a major goods and services market that is opening up to Russia.

It Will Also Be Possible To Ask for Money

Those who could feel the effect of the signing of the agreement the fastest, however, are Russian scientists, for whom direct access is being opened to grant financing through the EU.

Previously, obtaining a grant from the EU Commission required a foreign intermediary-investor, who also generally retained the lion's share of the grant that was obtained. And the Russian side, while receiving a mere pittance from its partner, acted as the principal executor of the project. Now an applicant for financing from the EU Commission will need to go through an EU Commission national coordinator and national expert but will receive the money for his own use. The following circumstance will help speed up the procedure this year. Such programs are financed once every several years (in the EU Commission, this period is four years). The latest period ends in 1994, and as KOMMERSANT has learned from competent sources, all the funds have not yet been allocated and spent. The appearance this year of Russian research groups among the applicants for grants should reduce the leftover funds to zero, which is exactly what is required at the end of an accounting period.

EU Official Comments on Trade With Russia

94WP0100B Moscow KOMMERSANT in Russian
No 19, 31 May 94 p 31

[Interview with Pablo Benavides, director of the EU Commission's International Relations Department, by unidentified KOMMERSANT correspondent on 21 January 1994, place not given]

[Text] [Benavides] Our work on the agreement reminds me of shooting at a moving target from a moving platform. The target is Russia in the process of reform, with its flights, falls, sudden zigzags such as the edict on foreign banks, and general lack of clarity in the realm of legislation. But Europe is also moving: During the time of negotiations the Maastricht Treaty entered into force and the Uruguay Round of GATT negotiations ended. Incidentally, according to the former GATT terminology it was impossible to recognize Russia as having a special status; the fact that Russia will now be officially regarded as a "country with a transitional economy" set a precedent. Finally, now it can be said that on all the main issues, with the exception of the edict on banks and uranium trade, agreement has been reached. The EU Commission has formulated its position and conveyed it to the EU member-countries: The agreement may be signed in the near future, and there are no political reasons for putting it off.

[KOMMERSANT] But there are two obstacles.

[Benavides] The edict was a complete surprise to us—we learned about it approximately a week before its adoption, and it was already too late to try to influence the situation. Granted, it seems to me that even in your financial agencies there was not unanimity on this

matter. In our opinion, it works in a direction diametrically opposite to the agreement, the provisions of the GATT and the GATS [General Agreement on Trade in Services]. It is the decision of a sovereign state, in whose affairs, of course, we cannot interfere, but it seems to us that it will make it much harder to attract foreign capital for privatization and for the development of the oil and gas industry, telecommunications, and transportation. Let me cite an example: Several months ago we were working in the context of TACIS program on establishing a development bank; together with Russian organizations, we spent a lot of money to found that bank—for the purpose, I stress, of providing loans to Russian clients through the attraction of foreign capital. You attracted the EBRD [European Bank for Reconstruction and Development] and foreign capital. What is to be done now? Representatives of the EBRD believe that their interests have suffered (which, incidentally, I personally doubt), but in the case of our bank it is obvious that they have. We understand the need for a transitional period during which the financial sector in Russia must be strengthened and protected. And if it is impossible, for domestic political reasons, to repeal the edict, we propose removing the EU's banks—and there are five of them—from the effect of that edict. I think that we should also develop a mechanism protecting newcomers from a situation in which newly promulgated laws worsen existing conditions in the market, and also should agree in such cases on preliminary consultations with financial agencies and the Central Bank.

[KOMMERSANT] And what about the negotiations between Russia and France on uranium?

[Benavides] I am not in favor of singling out countries if negotiations are being conducted with the EU. It is rare that the interests of just one country are affected to such a degree that it takes a totally isolated position. But in this case I am prepared to accept that way of putting the question. We cannot forget that one of the EU countries has a nuclear industry, and it should not be shut down and destroyed. But Russia, too, should receive its share in the market—so far we are speaking of principle and not of the size of quotas. As far as I know, the Russian side is asking for approximately 25 percent of EU imports, or about 20 percent of the entire market. I cannot say whether it will be that much or not, but in any case the decision should not harm the market. It is in the interests of the EU and Russia that, after obtaining its share, Russia conducts trade according to the best prices and terms, but we will also have to take into account the agreement on uranium signed by Russia, Ukraine, and the United States. A large quantity of it will be cast onto the work market, and I am not sure that the Americans will be able to buy all of it. If they can, that is their affair, but we cannot fail to take that into account in the negotiating process.

Aluminum and other "sensitive" goods are an instructive case. It is easy for the United States to say: "Continue to remove barriers!" It is far away, Russia's share

on the U.S. market is much smaller than on the European market, and the volume of mutual trade between Russia and the EU is 25-30-fold that of Russian-American trade. That means that in such cases as that involving aluminum or fertilizers, we turn out to be much more vulnerable than the United States. When we were hit by a flow from Russia that was twice as great as it had been several years earlier, we decided not to shut off that flow completely but merely to restrict it. On the other hand, when, by virtue of the interpenetration of markets, that flow started to be re-exported to the United States' own market, the United States started to wail and moan. Consequently, the problem, which began as a bilateral problem, quickly became a multilateral problem, which is good evidence of the fact that, given the close interconnectedness of markets, everyone has to bear certain costs.

Strategic Studies Institute Director Interviewed

944Q04224 Moscow NEZAVISIMAYA GAZETA
in Russian 2 Jun 94 pp 1, 3

[Interview with Yevgeniy Kozhokin, director of the Russian Institute for Strategic Studies, by Andrey Poleshchuk; place and date not given: "A Russian 'Rand Corporation' Is Being Created. Yevgeniy Kozhokin, Director of the Russian Institute for Strategic Studies, Appeals To Abstain From Intellectual Extremism"]

[Text] Yevgeniy Kozhokin was born in Moscow in 1954. He graduated from the historical faculty of Moscow State University (specialization—history of Western Europe and the United States). He defended his candidate's dissertation on the history of 19th-century France. He worked in academic institutes and is the author of several books on the history of Western Europe. In 1990 he was elected people's deputy of the Russian Federation. He worked in the Committee on International Affairs and Foreign Economic Relations and in the Committee on Questions of Defense and Security of the Russian Federation Supreme Soviet. In 1991 he was director of a group of observers in Nagorno-Karabakh. After the events in Moscow in September-October 1993, he became deputy chairman of the Russian Federation State Committee for Federation and Nationality Affairs. At the beginning of 1994, he accepted the invitation to head the Russian Institute for Strategic Studies (RISI).

He is married and has a seven-year-old daughter. He is a sportsman, in his time was seriously involved in medium-distance running, wrestling, and mountain climbing.

[Poleshchuk] When was the Russian Institute for Strategic Studies (RISS) founded, and what is its own conception of itself?

[Kozhokin] The RISS was founded by a decree of President Yeltsin two years ago. It is called upon to carry out studies on questions of national security, which is now understood very broadly in Russia—from ecology to military-political questions. The RISS works for organs

of both executive and legislative power. We have established good cooperation with the Federation Council Committee on Questions of Security and Defense. We are making arrangements for cooperation with the State Duma Committee on International Affairs and with the analogous committee of the Federation Council. We also send our studies to the Security Council. We have now begun more actively to cooperate with the MID [Ministry of Foreign Affairs], which does not have its own analytical centers. As a state structure and budget-carried organization, we are obligated to help the MID in the sphere of strategic studies. We are trying to arrange fruitful cooperation with the Ministry of Internal Affairs, since, being engaged in some domestic problems, we are interested in receiving information from this agency.

We invite staff members of the Ministry of Defense for our situational analyses. The Ministry of Defense has its own research structures, but they are going through a difficult period. There they have high-class specialists, and they must not be lost in any event, because sometimes the departure of a single scientist does greater damage to the defense capability of the country than the loss of a regiment or even a division.

[Poleshchuk] And what can be said about feedback? On the basis of what signs can you assess the effectiveness of your work?

[Kozhokin] The arrival of a head in a new institution is always connected with the fact that there is some kind of change in the type of relations with other agencies. I hope that we will form stable relations with various organizations, from which—in exchange for our studies—we will receive necessary information. Because in contrast, let us say, to banks, we are more than limited in the possibilities with respect to the purchase of information. Incidentally, we ourselves do not sell information, although I believe that, in conformity with the statute on the basis of which the institute operates, we can carry out analytical work on the basis of an order from concrete private structures. But we have the right to work only with those organizations about which we know for certain that they are "clean," that they are not controlled by criminal structures. Unfortunately, this is one of the important problems. We would like to be confident in our partners, and therefore we try to obtain objective information about them in order not to discredit our own institute. Moreover, defending the national interest, we must help our Russian banks and corporations—both state and private. But we cannot help one Russian corporation fight against another.

[Poleshchuk] What is the structure of the RISS, and who is included in the staff of your institution?

[Kozhokin] We have a department that studies the Commonwealth of Independent States—this is one of the priority directions for us. There is a Department of International Economics, a Department of Military-Technical Problems, and a Department of Domestic Economics. The institute is comparatively small—we

have about 70 staff members. But there are possibilities for expansion. The main thing that I will try to attain is the rejuvenation of the collective. It seems to me that now has come that moment when young, capable people can enter the institute. The first wave of enthusiasm for work in commercial structures has passed; now I already frequently encounter talented people who are willing to earn less, but in turn engage purely in research work, which yields moral satisfaction.

[Poleshchuk] Does the present budget of the RISS suit you, as director? How much on the average do your staff members make?

[Kozhokin] I think there is no director who would be satisfied with the budget of his organization. Above all, there is insufficient money for the purchase of equipment, although we have now begun the renovation of our computer base. As far as the salaries of our staff members are concerned.... Perhaps because I worked for a long time in the Academy of Sciences, which never and all the more so now was spoiled with high salaries, I can say confidently that at the RISS they receive a good deal more. And this is very important, since it allows my subordinates to engage only in research work. A senior scientific associate in our institute receives about R500,000 a month.

[Poleshchuk] What type of specialists do you need most at the present time?

[Kozhokin] We need economists and lawyers. Especially economists. The Department for Domestic Economic Questions must be urgently strengthened; at the present there are not even half the necessary number of staff members. This is the greatest headache. There is a need for specialists for the CIS department. We had very serious area studies. Now these have almost disappeared, because the specialists are searching for grants and orders. To earn money is now the easiest of all by doing research on Russia. For this reason, we have somewhat ceased to understand the West. We almost do not analyze the domestic political struggle. The West has become uniform, as it were. And frequently this prevents us from forming our own policy. At the RISS I want to restore work in area studies.

[Poleshchuk] What problems—domestic or foreign—does the RISS basically study?

[Kozhokin] Our priority is international problems, international subjects.

[Poleshchuk] You made mention of cooperation with private organizations....

[Kozhokin] Let us return to this question in a year.

[Poleshchuk] Nevertheless, without naming concrete companies, banks, etc., could you not say what problems are of the greatest interest to them now?

[Kozhokin] Up to now, these are only the first contacts. Incidentally, in some of the largest domestic banks, they

de facto already have their own serious analytical centers. And they count precisely on their own forces, believing that no one can help them more than they themselves. Others show interest in our institute. But, I believe, in this sense we still have too little experience to be able to talk about it.

[Poleshchuk] Now we have quite a few different organizations in whose name the word "strategy" or the attribute "strategic" is present. In what do you see the principal difference of the RISS from structures kindred to you?

[Kozhokin] It seems to me that today there exists a Russian scientific association—even if it is a torn and uncoordinated one—and in it everyone has his niches. The point is not some loud and fashionable word, but the presence, above all, of specialists and information possibilities. The word "strategy," having in view the RISS, was fixed in the edict of the president. I would connect this, above all, with the fact that we are trying to carry out an analysis of a medium and long-term order. As far as centers are concerned in whose name the word "strategy" figures, some of them cannot be recognized as serious, if only because frequently they consist only of a director and a secretary. With such "centers" we do not even maintain contact. And in general I do not put any special meaning in this terrible-sounding word, "strategy." What is important is the conception as a whole, the understanding of which tasks we can solve, and which not. The RISS, incidentally, with equal success, could be called the Russian Institute for International Studies. As, for example, the French Institute for International Studies, which studies a range of problems very similar to ours.

[Poleshchuk] Incidentally, what very clear analogues to RISS exist abroad?

[Kozhokin] Some I know; when this institute was created, the experience of the "Rand Corporation" was discussed. But, unfortunately, we have a very specific situation to talk about the fact that our institute is reminiscent of this corporation or, for example, the London Institute of Strategic Studies. In terms of the tasks that we are called upon to carry out—yes, it is reminiscent. But whether we will be able to solve them.... Time will tell. Without displaying an inferiority complex apropos of some Western research institutes, it nevertheless must be said that at this moment they have at their disposal a number of greater possibilities than we do.

[Poleshchuk] Do you cooperate with foreign colleagues?

[Kozhokin] Yes.

[Poleshchuk] In what form—the exchange of information, specialists?

[Kozhokin] There is a proposal concerning the exchange of specialists. Recently, for example, a scientific conference was held in Germany, under the sponsorship of the Bundeswehr, more correctly, the administration for

assessments and exercises (this is how the Germans themselves translate it). And here the chief of this administration proposed to send his officers to us for a training program. Well, if this will be on a mutual basis, one can think about it. And so we have regular contacts with Western colleagues. We also have relations with research centers of the countries of Asia.

[Poleshchuk] At the very beginning of our discussion, you said that the basic task of the RISS is participation in the elaboration of conceptions of national security of Russia. Recently one highly placed staff member of the presidential team told me that the mentioned conception does not exist in the form of a document. In his view, such a document in general cannot exist, since national security is a highly flexible concept, which changes its content depending on the events taking place in the country and in the world. Do you agree with this?

[Kozhokin] I believe that very important tenets of the national security conception are set forth in speeches of the president. This is natural, because in our country it is precisely the president who is responsible for national security. For example, a significant part of his message to the Federal Assembly is devoted precisely to the problems of the national security of Russia. Or, let us say, his recent statement in the Foreign Intelligence Service.... But we have ceased to be a static society and state, where it was really possible to adopt a doctrine of national security and once every five years to correct it a tiny bit. If we adopted such a doctrine now, we would in a moment drive ourselves into a trap. You know this is a problem that is constantly renewed, some guidelines can be developed, let us say, for a year.

[Poleshchuk] At present there are many disputes over the ideology of our interaction with the West. In particular, the conception "Partnerships [as published] for Peace" developed by NATO and our participation in it is assessed in different ways. I would like to find out your opinion on this account.

[Kozhokin] Already in 1991 I believed that there was no need for us to deceive ourselves and to talk about the fact that communism lost in the Cold War. The communist system was created by us, and for a long time this system suited the overwhelming majority of our people. In the foreign policy of former times, there were elements of the ideological absurd, but there was also what corresponded to the national interests of Russia. Russia, being broadly understood. We lost the Cold War. And for this defeat in general we have already paid more than in full. Now a for us completely new situation has arisen. On the one hand, an attempt of a spurt [ryvok]. There was that feeling that we would be able to complete such a spurt—in any case to a new prosperity. But the philosophy of this spurt, in my view, was in some way vicious, because it was precisely prosperity that was regarded as being of paramount importance. But it cannot be obtained, if not determined at once—by what methods? Now a period of sobering up, of getting rid of unnecessary illusions, is beginning. And God grant us the ability to hold on to this

state of pragmatism, so the pendulum will not swing to the side of Karamazovism and intellectual extremism, which are so characteristic of the traditions of Russian political culture. It is completely obvious that the pendulum has swung to the other side also in relations with the West. I believe there is a possibility to hold it back at a certain point if we want to secure for Russia the possibility of an economic and technological spurt, which, it seems to me, is quite necessary. For this we need, on the one hand, a sober assessment of the West, and, on the other—an understanding of our own possibilities.

Contradictions both with the United States and with the countries of Western Europe are inevitable for us. There is nothing catastrophic in this. Let us say, contradictions between the United States and Japan are sharp enough; nevertheless, this does not prevent them from effecting a close enough partnership. And we, too, must attain that level of cooperation and competition which the Western countries have in their relations with one another.

Now there is a feeling that among part of the political spectrum of Russia a wave of anti-Americanism is rising. A part of the politicians say: "We are not against the West, we are for cooperation with Europe. But the United States...." This, in my view, is self-deception, because cooperation is possible only within the framework of the triangle: Russia—the European Union—the United States. The figure at once becomes unstable and dangerous—precisely from the standpoint of international security—if one of the elements of this triangle drops out.

As far as cooperation with NATO is concerned, in them [as published] there is inevitable distrust from one side or another. "Partnership for Peace" is nothing more than a framework agreement, an area for further political struggle over the question of cooperation of the countries of Central and Eastern Europe and Northern Eurasia with NATO. From the standpoint of European security, the expansion of NATO in the near future will not serve the interests either of the peoples of Western Europe or of the peoples of Eurasia. In the countries of Central and Eastern Europe there are political forces which, proceeding from entirely understandable interests of their own, are trying to play the anti-Russian card. This is connected with the fact that in some degree we are no competitors in questions of receiving economic and technical assistance, in questions of the penetration of international markets. In particular, there is a divergence of interests in the sphere of arms trade. We see that arms produced in these countries with our licenses, in plants that were built with our economic and technical assistance, are offered for sale very well, supplanting our producers.

On the other hand, the countries of Central and Eastern Europe are encountering the protectionism of the European Union.

Since some exclusively economic questions cannot be solved with the help only of mechanisms of precisely economic competition, there is a temptation to utilize some political levers. In so doing, when they talk about the danger on the part of Russia, they create a political myth with respect to our country and sometimes not deliberately, sometimes deliberately, they quite pragmatically distort reality. Our position is quite understandable, and behind it is concealed not some kind of "neo-imperialism," but a quite pragmatic and, I would even say, in the good-sense, conservative approach.

Should we join the partnership with NATO? It seems to me that we will be able to defend our national interests

more effectively by accepting and not spurning this partnership. Sometimes our people develop some sort of—for a great nation—incomprehensible inferiority complex. We suddenly start to feel ourselves to be weaker than we are in actual fact. We try to formally attain legal guarantees for ourselves from others, while our strength—economic, technological, military, and diplomatic—is in ourselves. Our partners know very well that, when a foreign danger arises, we know how to mobilize as never before. In the West they do not intend to create danger for us on the military-strategic plane at present. For us the dangers lie in the sphere of the economy and ecology. But this is not the sphere of activity of NATO.

KAZAKHSTAN

Nazarbayev's 9 Jun Supreme Council Address

944K1469A Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 11 Jun 94 pp 3-4

[Speech by President N.A. Nazarbayev at the 9 June 1994 Supreme Soviet meeting: "Toward Kazakhstan's Renewal—Through Deeper Reforms and Nationwide Consensus"]

[Text] Respected deputies of the Supreme Soviet!

Respected Chairman!

A considerable amount of time has already passed from when the country's new professional parliament began working to the present day, if we consider the swiftness of the tempo of processes occurring in our life. I feel that this has been more than enough time to form parliamentary structures and working bodies, to conclude all of the preparations, and to begin active legislative work. And today, I have every reason to appear before you with a presidential message, as had been agreed earlier.

Basing myself on rights granted to me by the Constitution, and proceeding from an analysis of the present situation, in my address I will present my vision of the key directions of strengthening Kazakhstan's statehood, and of our domestic and foreign policy in the immediate and in the more remote future. I would like to emphasize that this is a political document that does not require "universal approval" or a vote as had been the practice in the past, but it is subject to consideration and implementation in the practical activity of not only the Supreme Council, but also all institutions of state power and management.

It is not my goal in either the message, or in this speech to you, which is to a certain degree a part of the former, to speak on all current issues or on specific problems of the regions and sectors of the economy. I see my task to be somewhat broader.

To ask all who represent the highest echelons of state power, and to whom the people have entrusted their fate, their future, as well as all political parties and public movements to take a realistic look at things, to evaluate the resultant situation unprejudicially, to reach the right conclusions, and to finally begin working harmoniously and constructively.

I believe that we do not have any fundamental disagreements in our evaluations of the state of the republic. It is characterized basically by negative processes, and by unstable phenomena. The crisis and its extreme manifestations, taking the form of a production slump and growing inflation, are canceling out many of our efforts to stabilize the economy, and are falling as a heavy burden upon the shoulders of the citizens. This is in fact so, and no one is going to deny this fact.

However, as it turns out, many people in our country are still confusing cause and consequence, and the goals and the means of their attainment. Forces can be found attempting to prove, through the heat of passionate debate, that the causes of the crisis are within the reforms themselves, and that a mistake was made in choosing the course to follow. Proposals are being made to change it, and in the same stroke, the government as well, which has been alleged to be guilty of all woes imaginable and unimaginable. Neither the president nor the Supreme Council—both past and present—have been spared.

To our great misfortune, few of our politicians, government sages, or scientists in peacefully slumbering economic science are taking it upon themselves to analyze the entire spectrum of the causes of the crisis, and the uniqueness of the period we are experiencing.

To begin with, let us ask the right questions of ourselves. Where are the sources of the present crisis, what are its root causes? Was it evoked by the reforms currently being conducted by the government, or by other factors? And finally, is there a way out of the situation in which we have found ourselves today?

Let me say one thing categorically right away: The reforms were not what brought on the crisis. On the contrary, the crisis we inherited from the collapsing Union compelled us to seek solutions to it, and compelled us to assume the path of reform. Recall that at the moment when we acquired sovereignty, the cancer was already spreading through our economy. The economies of the USSR and all republics began deteriorating dramatically in relation to all key indicators in 1986. But we were not yet able to consciously perceive the full acuteness of all of this. We lived as a single state, and believed that in the capital, they would know everything, they would do everything, and everything we needed, they would give us. Well, they gave us everything, but they also took more than enough away. And in the last years, they began treating the lion's share of everything they gave us as foreign debt. The fall of Kazakhstan's GNP was 7 percent at that time. But this was only the first alarm bell.

For practical purposes the announced perestroika never did get started, because even in the Kremlin they did not know the direction restructuring should take, how it should proceed, and on what timetable. All of the people were doomed to uncertainty, which had the most negative consequences. The experiments initiated in the economy and in policy only hastened the fall of the rotten system, and led to the realization that the sociopolitical structure had to be changed, and the economy had to be reformed. Following the disintegration of the superpower, the loaded spring of universal crisis, which had already begun uncoiling, tore completely away from its seat and rained a storm of the worst kind of problems upon us and upon all former union republics. Only now, in the third year of independence, are we beginning to fully sense, on our own hides as they say, the full gravity

of the consequences of our lopsided development as a raw-material colony of the former empire.

I would like to recall that back when we were still mulling over the possible variants of the development of events, and especially in recent years, the leadership of Kazakhstan asked Moscow several times to consider, for example, the issues of introducing a third and a fourth process stage into our metallurgical industry, of reducing deliveries of agricultural products to all-Union stores, and of expanding independence in other sectors and spheres. Not one of them ever received a positive resolution. And there could not be one: It was advantageous to keep us the way we were, and no one was troubled by the consequences.

The totalitarian party and political structure collapsed, the powers making it up dispersed, and the "fist" that held this entire structure together loosened its grip. But at the same time we also lost our source of sustenance, taking the form of rather sizable influx of materials, finances and investments. The arteries feeding manufacture of products needed by the Union, in exchange for which we received some part of the goods we needed, were severed.

But let us look at this from another perspective, from the high vantage point of the present day. What we had was a most powerful instrument by which to suppress all initiative, and nurture parasitism of the highest caliber, the manifestations of which can be seen in abundance in our present life. I recall in this connection the resolution adopted at the May Day rally in Ust-Kamenogorsk. It demanded a return to the ideology and practice of socialism, restoration of the USSR, and so on. However, if we delve into the essentials to even the slightest depth, we find that the problem is this: Through all of the last years the city had been developing at the expense of industrial giants working for the needs of Union monsters like the Ministry of Medium-Machine Building and the Ministry of Nonferrous Metallurgy. They gave work to the people, and life to the city. Now they are no longer, but orders for the products they need to survive are no longer as well. The demand for producing them in such volume no longer exists in the republic. We might also recall that beryllium production at the Ulbinskiy Metallurgical Works was shut down at the insistence of citizens due to the high ecological danger.

Still, the real initiators of such rallies are forces that often prefer to remain in the shadows. They are predominantly the past and present enterprise directors, "leaders" of the people, who cover up their own inactivity and take advantage of the complex situation to simply confuse the minds of many people, while having no concept of how to reorient their own production operations. True, the seeds of such provocations—they may be small but they still are provocations—are falling for the moment on the fertile soil of that same old fostered parasitism. We are too highly accustomed to receiving solid wages without producing anything, or for manufacturing products having no demand.

Let us ask ourselves this question: These leaders who say the things the people want to hear, to what sort of socialism are they attempting to return us—to the Stalinist concentration camp or to Brezhnev's universal leveling, when everyone borrowed from future generations, and simply plundered the country and the republics? Or to Gorbachev's "socialism with a human face," when there was no longer anything to plunder, and empty promises were all that could be heard?

However, it is certainly clear to all that there can be no return to the past. Anyway, there is not even a trace left of this kind of socialism in our country. Nor can history repeat itself. As we know, when it does, it does so the first time in the form of a tragedy, and the second in the form of a farce. Neither is something we want. We consciously and unanimously selected the path of creating a market economy and a democratic society. This path was dictated by the entire course of development of human civilization, and it must be walked consciously. This is our future.

At the same time, in assuming this path, we must be aware of its objective laws and unavoidable difficulties, and be prepared to live through them, and act according to the rules of world development. Among them are the crises, together with their painful attributes, which not a single country of the world has been able to escape. Great depressions and slumps were endured by America, France, England, Turkey, Germany, India and other countries. The only thing that differed was the intensity of the upheavals. Some countries sailed by all of the "reefs" of establishment of a market with relative ease, for example the so-called "tigers" of Southeast Asia. Some countries were not spared military coups and civil wars, as happened in Latin America, and is now happening in some other regions of the planet.

In surmounting our crisis, we must competently utilize the experience of others. But, in this case we need to consider that there also can be no discussion of mechanically transferring someone else's experience. It is absolutely definite that our transitional period has its own unique features, associated chiefly with greater dependence upon external economic factors and a rather low level of economic development, which is typical of all republics of the former Union. Still, knowing and analyzing the processes occurring in the world economy is mandatory.

Proceeding from the situation as it is, it is important not only to correctly select the directions of movement, competently define its stages, and prepare the tactics, but also to get the needed mechanisms moving in time. This is discussed in particular in the message. But in order to get a clear, fully comprehended impression of their diversity and complexity, I am going to go ahead and name the most important directions of what I see to be the optimum variant of development. The centerpiece of this work will be monetary, credit, and banking reform in which we take real, and not just formal, account of the requirements of a sovereign state and a market economy.

Its key objective is to surmount galloping inflation and strengthen national currency. At the end of last year we made a serious historical turn in our development by introducing national currency. By doing so we acquired the right to our own, real levers of reform. And in half a year we have done a lot in this direction. We adopted a program of all-embracing privatization, we liberalized trade considerably, we reduced state interference in the economy, and financial and credit policy is now being pursued more decisively. In short, the path we have traveled has not been easy. But these measures began producing positive results right from the very beginning. Now the time has come to take the next decisive step. It cannot be simply oriented on shoring up the tenge, stabilizing its exchange rate, and bridling inflation. It must provide for real attainment of this objective.

We need to reinforce financial discipline both in the budget and in the activities of banks and enterprises in the most decisive way.

Otherwise we will not achieve the economy's improvement, we will not stop inflation, and there will not be any investment or credit resources. Then devaluation of everything would begin, even morality, which has already been so severely shaken in our difficult times. The life of the people will worsen even more. Hyperinflation will set in as the last gasp in the life of any economic system, and as a sign of the total failure of our hopes.

Hard as this may be, the time has come to tell our citizens with all responsibility that only one path to financial stabilization remains for us—reducing all state expenditures except those most vitally necessary, and mainly appropriations with which to pay wages, pensions and social assistance to the people.

This means stopping all subsidies to enterprises, both direct and concealed. They must be refused budget resources, and credit must be granted in limited amounts for real, effective programs and projects. Enterprises operating at a loss need to be subjected to bankruptcy proceedings in the immediate future. All tax and customs concessions must be eliminated. In its role as the government, the state must not bear any responsibility for paying off doubtful debts or defaults by enterprises and banks.

Expenditures to maintain state bodies—bodies of representative, judicial and executive power—must be decreased.

On the other hand implementation of adopted decisions to attract major foreign investors to participate in reforming the key sectors needs to be accelerated. I am talking about things like telecommunications, transportation, energy and other sectors. International tenders need to be conducted in relation to them. And they should be conducted knowledgeably, intelligently, and with a high effect.

Prices on all forms of goods and services must be lowered. Having freed bread prices, we need to pay the difference to the poor. And we must do this not clumsily, but competently and efficiently, so that people would understand and accept this mechanism. From the government in general, I will demand tight supervision over budget expenditures and income. And our Ministry of Finance is too slow in forming income, but excessively generous when it comes to expenditures. Given all of the changes that have occurred in the situation, execution of the budget must be firm. Any pressure or lobbying in favor of certain sectors or spheres of the economy needs to be resolutely stopped. The budget is an instrument of state policy, and it is about time we stopped ravaging it to the advantage of corporate, regional, and other interests.

The situation of the National Bank needs to be changed in the most decisive way. We have spent a goodly amount of time manipulating it for various ends, but not the main one. In the first while, we subordinated it to the Supreme Council. What was the result of this? It was not subordinated, after all, directly to a session of parliament. It was managed by the Committee for Economic Reform, which contained not a single banking specialist. All that happened was a metamorphosis that was fully logical to the new bureaucracy—the “telephone right” of the party machinery, which had been debunked in the brief period of glasnost, transferred to the machinery of the parliament.

Government leaders have now been added to the board of the National Bank. But this has not produced an effect either. The National Bank needs to be removed from all subordination and guardianship by both government and executive bodies, and it must be firmly required to do real work to stabilize the tenge.

I know that it is hard for both me and you to make such decisions, and approve a budget of precisely this kind. I know that this will be difficult for everyone. Enterprises will stop working, a high level of unemployment will appear, there will be dissatisfaction, there will be more calls for rallies, and so on. They will accuse me primarily, and you, of course, as well, of all sins. We need to endure this too.

If we are true patriots of our motherland, if we really want to surmount the crisis, and by doing so create a better life for the people, we need to stand up to these difficulties, and endure them. Fifty years ago, during the war against Nazi Germany, British Prime Minister Winston Churchill said the following in an address to his people: “This will be a hard and difficult war, in which sacrifices will be required of all, but we have no other choice.” He did not try to conceal from the people the fact that victory in this war would require pain and suffering. Kazakhstan has now acquired political independence. But now we are fighting for our economic independence. Therefore I will be honest with you, and

say that significant efforts will be required of literally every citizen of Kazakhstan, and of you and me first of all.

New tasks in privatization, in intensive development of the private sector and competition, in creation of powerful stimuli for production and labor, and in formation of an effective mechanism for social protection are organically and tightly associated with this most important and foremost direction—of drastic intensification of the entire economic reform.

The task of legal reform is an especially large block in the reform. Not only must it "back up," so to speak, the economic block of the reform, but it must also play the role of a unique sort of locomotive of its dynamic implementation.

By carrying out all of these tasks, we ensure continuity of the strategic course. At the same time, each block, each facet of the proposed policy is filled with qualitatively new content. Both in the way the goals are set, and in the methods of their attainment.

Reaching them will doubtlessly not be easy, and they may be attended by certain costs.

Hence follows the high importance of preparing the measures down to the finest details, and maintaining high responsibility for their fulfillment. All actions and possible results need to be meticulously calculated out, and their consequences need to be analyzed in advance.

The public's growing desire to participate in the reforms is also an important factor to us. A qualitative change is occurring in the psychology of the people, albeit gradually. They are adapting to market relations to an ever-increasing degree. According to a recent survey around [number illegible] 0 percent of the population supports the course toward market transformations. In the meantime only 20 percent of the people were on our side in the initial stage of Kazakhstan's assumption of the path of reform.

This change in the consciousness of the people provides us with a firm foundation from which to purposely and consistently follow the selected course.

I would like to dwell in somewhat greater detail on one of the issues that in my opinion is of key importance to completing the tasks we are posing to ourselves today. I am referring to the spiritual state of the society, to the atmosphere of stability in the republic, and to national and civic consensus. Precisely what I had in mind when more than a year ago, I brought up the idea of national consolidation of Kazakh society on the basis of its progress and advancement toward maturity. Time has shown that this idea is supported by the entire population of Kazakhstan.

Let me say more: Every politician, every party and public movement, every citizen of Kazakhstan must clearly realize that unless we preserve and fortify the existing consensus, especially national, we will be faced

by an unavoidable abyss. We will be forced to say farewell forever to sovereignty, to reforms, and to all dreams of a future for ourselves and our children. And we are obligated to organize the work in such a way that those who are trying to stir up passions, to undermine civic peace and national consensus, would suffer the severest punishment under the full strictness of the laws of our country.

The history of the former USSR and our present history should have taught all of us that such actions end in tragedies for entire peoples. Leaders maintaining the course of the reforms must remember that it has never yet been possible in a divided society to achieve the goals we have set for ourselves.

Together with the crisis phenomena, the difficulties of the transitional period and the aggravation of conflicts are making the complex socioeconomic situation potentially explosive. Any conflict between people is capable of becoming the match that may light the powder keg. Especially if the conflict occurs on interethnic soil. To be more accurate, interethnic relations will only be the excuse. Crimes are at the basis of these conflicts. It was precisely with this that the Karabakh conflict began. Two Azeris were murdered then in Agdam. As an act of revenge, thugs took 32 Armenian lives in Sumgait. Politicians who essentially did not give a damn about the fate and lives of tens, then hundreds, and then as many as thousands of people subsequently became involved in the conflict on both sides. Today, carrying on their dark deeds, they have stepped into the political arena, and in the meantime Armenia and Azerbaijan are in civil war. Rather than uplifting the economy of their states, and creating normal living conditions for themselves and their children, people are continuing to kill one another.

Recall the incident last year in our country in Ust-Kamenogorsk, when a mob agitated by the murder of several Kazakhs took to looting a settlement in which Chechens lived. In that instance persuasion worked, the pogrom was averted, and the situation was kept under control. But what about today and tomorrow? Are we going to have to keep the OMON [Special Missions Militia Detachments] and the troops ready like this all the time?

We are managing to preserve a balance, tranquillity, and stability in the country through meticulous daily work. I am not going to hide the fact that this is requiring considerable effort, and practically daily monitoring of the situation. But this is also allowing us to move forward, we are able to attract partners from abroad, and most importantly, this is introducing tranquillity into our domestic life.

But let us answer this question honestly: Are we accounting for everything, and are we doing everything to assure the people to the maximum, and to relieve both them and ourselves of the burden of the still-existing anxiety for the future? I cannot answer this question in

the affirmative. Moreover I feel that it is not simply that some things have been left undone: Mistakes have also been made.

Consider the migration issue, which is so painful to me and so extremely important to the republic. Does it not seem to you that we are looking at this problem rather simplistically, comforting ourselves with the supposition that this is a natural process? Naturally, people have always had the possibility for realizing their right to select their place of residence, both in their own country and abroad. But I am perplexed by the attempts to gloss over this problem, by the desire to embellish the truth, and give off the appearance that nothing special is happening.

Let us look at the statistics. Over the last quarter of a century Kazakhstan was one of the regions in which the number of persons leaving the country exceeded the number entering it. Beginning in the late 1960s this positive difference was on the order of 20,000 persons. And in the 1980s—up to 80,000. Recently, however, the decrease in the population resulting from migration has increased dramatically, attaining 221,100 persons last year. While in the past the population grew steadily, last year its decrease was documented for the first time. And so far, this has not troubled anyone, or compelled them to think about the causes.

Understandably, they are the most diverse—family circumstances, change in jobs, admission to school, the desire to move to one's historical motherland, and so on. The proportion of military servicemen in the structure of the migrants is significant. Many who leave had simply come here in response to the official call for workers for the "construction project of the century."

However, we cannot close our eyes to the fact that very many people, who had not even thought of doing so earlier, are now leaving simply because beginning in a certain moment in time they started sensing psychological discomfort. It is the product of many factors, associated primarily with the imbalances, with premature implementation of highly complex social and cultural programs. And everything I say must not be perceived as a concession to some sort of pressure. I am saying all of this in order to rectify past mistakes, and to permit a weighted and civilized approach to a highly complex situation.

I am referring, first of all, to the language policy and to the status of the state language. Adopted several years ago by the former government under the ideological leadership of the Central Committee, the program for development of Kazakh and other languages immediately roused the anger of society because of extremes taken in relation to the procedure and timetable for introducing the Kazakh language. It even put many Kazakhs in an untenable position. I feel that this program must be reexamined without delay. We need to adopt a new law on languages quickly, and remove all

discrimination against Russian, which is no less necessary to Kazakhs and other peoples for development than for the Russian-speaking population. This law should also spell out real measures to develop Kazakh and its study by the entire population.

And is it any secret that imbalances in personnel policy were created both in one direction and in the other by the efforts of local officials, and even officials at the capital? For example besides the 30 Kazakhs, there are only three Russians, two Uighurs and one Azeri working in the Committee for Languages. This is despite the fact that this department is tasked to deal with the development and the problems of all languages. On the other hand Kazakhs are represented in the highest body managing the agro-industrial complex by only three out of 15 executives. Such imbalances have been created both in the center and locally. Without a doubt they need to be rectified.

This brings us to civil servants. In order to exclude negligence and to make it difficult for the incompetent to travel the road to power, and to raise the responsibility of executives of all ranks, I propose that the law on civil servants should foresee the requirement that they, and members of the government, take the oath of allegiance to the fatherland and its interests. The corresponding administrative and criminal measures and sanctions for the oath's violation should also be included in this law.

An imbalance was created in the admission of applicants to higher and secondary special educational institutions. Even though people did try to make things look as if nothing was wrong here either. The ill-conceived, "cavalier" work of the naming commission also had its destructive impact. Massive changes in the names of streets, population centers and even large cities were one-sided in nature, and they did not account for public opinion, the ethnographic composition of the population, and sometimes even centuries-old traditions, and most importantly, the psychology of the mass consciousness.

I feel that you will all agree with me that it was not necessary to strike the name of Louis Pasteur from the capital's history in order to perpetuate the memory of our outstanding poet Mukagali Makateyev. The "name changers" should have known that in the early 1920s a group of French doctors came to Kazakhstan to fight the cholera epidemic. Capitalizing on the discovery and the vaccine of their great compatriot, they helped us to rid ourselves of this terrible calamity. And so the grateful inhabitants of our city named the street on which this noble mission was based in honor of Pasteur.

And have we really done everything to ensure worthy preservation of the memory of brilliant personalities such as the artist Nikolay Khludov, the ethnographer Aleksandr Zatayevich, the composer Yevgeniy Brusilovskiy, and many others? We are somehow still failing to attach significance to the ethnic friction encountered

far and wide on the personal level. After all, it is precisely here that the greatest evil lurks. This is precisely the medium in which a flying spark can start a fire.

This also suggests that we are still not dealing intelligently with the problem of nurturing elementary culture in mutual relations, and simple respect for the individual. Let me note that this is not something unique to any one ethnic group—we are all guilty of this without exception. I must address my reproaches to representatives of Russian communities as well, who are sometimes not distinguished by tactfulness and propriety in the way they address certain issues in their activity. I have already said on several occasions that we no longer have "older" and "younger" brothers—all are equal before the law and one's conscience.

I feel that the time has come to turn attention to this most "personal level." The punishment for ethnic slurs must be severe. But the main thing is to finally organize educational work that would begin in nursery school and not stop until working age. All structures of the Ministry of Education, deputies, and especially administrations must join in this effort. As far as the government is concerned, it must prepare the corresponding special program.

Let me be so bold as to assert that the thoughtless actions both from one side and from the other have little to do with real patriotism. Leo Tolstoy once said that under certain conditions, patriotism may become a feeling that is anything but noble. This happens, the great humanitarian noted, when someone begins asserting the superiority of one ethnic group over another.

More often than not, the stirrings of nationalism can be sensed behind the urge to defend the rights of some ethnic group, and behind attempts to portray it as having been affronted in some way. The patriotism that rises from this soil transforms first into hurrah-patriotism, and then into national-patriotism, from which fascism is just half a step away. All of this is heated up by a search for an enemy, mainly among representatives of another ethnic group. It is in this way that the soil for international conflict is created. Now the stage is set. All that is needed is an excuse, which can always be "organized" either by the criminal element or by the lumpen-proletariat.

Returning to the problems of migration, I would like to emphasize that Kazakhstan has become a motherland for many millions of people in the true sense of the word. This is extremely valuable human capital. Losing it would be a great loss to the country. As far as the economic prospects of the republic's development are concerned, intensification of migration could affect them seriously: The people that are leaving, you see, are chiefly the engineers, technicians, teachers, doctors, qualified specialists, and as a rule, people of active working age.

I must say that work on problems of migration at the state level is fragmented, it lacks the needed coordination. The present situation itself dictates the need for

weighted approaches, thoughtful actions, and qualified, coordinated work by the migration department, the ministries of internal and foreign affairs, and public organizations.

Considering the sociopolitical and economic consequences of migration, we should draw up an effective program for managing the migration flows, so as to avert their spontaneous growth. First of all, we need to enact laws that would stimulate stabilization of the migration process insofar as it is associated with the population's employment, and we need to raise the responsibility of labor and employment divisions, since we need their help in solving the problems of unemployment, and consequently of redistribution of labor resources. To avoid excessive red tape in reestablishing the pensions of people who return to their place of residence in Kazakhstan, we need to make the corresponding corrections in pension legislation, and coordinate these issues with the parliaments of other CIS states.

The issue of citizenship has not lost its importance today either. The old parliament did not have enough time to fully address these problems. We had to work quickly to do the things that were left undone. The presidential edict on introducing significant amendments into the Law on Citizenship was published in February of this year. It significantly simplifies the procedure for adoption of citizenship, the time of its acquisition has been reduced, and provisions related to registration of citizens are expounded. In addition during my March visit to Moscow a memorandum regarding citizenship was signed between Kazakhstan and Russia. The subsequent course of resolving these issues will depend on the parliaments of Kazakhstan and Russia.

In the immediate future we need to create an effective system of legal guarantees under which all unlawful restrictions regarding registration of people and their place of permanent residence selection would be lifted. I think that a barrier to such violations in the activity of local bureaucracies, internal affairs divisions, and passport services must be created at the legislative level, and the question of automatic acquisition of citizenship by all people who return to the motherland, without their division by nationality, must be examined.

The need for this is dictated also by the fact that the number of repeat migrants is increasing. People who left only on emotional grounds, who have been unable to find occupations to their liking, and who sometimes even experienced a hostile reception and the displeasure of people in the new places, have started to return. In many instances the returnees had given up all of their property, which they had accumulated honestly in Kazakhstan. We need to help them reestablish their homes. Time is forcing us to act quickly, because the people's uncertainty in their future is forcing them to choose between the possibility of staying or leaving. In my analysis of migration processes and their causes, I

dwelled only on problems that our state has the power to eliminate, or problems that can be solved in collaboration with our neighbors.

Summarizing the above, I would like to once again recall that Kazakhstan is unique and strong in its diversity of ethnic groups. It evolved due to many historical causes. And we must accept this as the basis from which to proceed. A unique polycultural landscape has taken shape on this land, dominated by two currents.

One reflects the rebirth of Kazakh culture and its components, and chiefly the language. An objective process of recovering what has been lost is under way. All peoples living in the republic must understand and accept this. And it should be remembered that it was the Kazakh people who did everything they could to make it possible for people who came here, regardless of how—voluntarily or forcibly, to make this their home. Openness and goodness of heart, and the preparedness to provide warmth to and to share everything with the needy are genetically ingrained characteristics of the Kazakh people. They have never experienced or manifested feelings of hostility or superiority in relation to anyone, and they have never been the source of interethnic conflicts.

The other current is represented by the Russian-language culture, which is based on the age-old traditions of the Russian people and everything they imbibed in the course of many centuries of development. This culture is the property of not only persons of Slavic origin but also all ethnic groups living in Kazakhstan, and it is part and parcel of their cultural potential. Those who try to reject it and who strive for self-isolation are dooming themselves to life apart from the life-giving springs of world culture.

It is no secret to anyone that we Kazakhs delight in studying and learning about Russian culture and literature, while on the other hand, the soul of our steppes penetrates deeply into each person who lives in the republic and whose heart is tied to Kazakhstan. We can therefore say that a special sort of self-identification, common to all citizens of our country, exists. We are simply obligated to act in such a way as to preserve and to develop this thing that we have in common, rebuffing all forces attempting to violate the peace and consensus that has developed in our common home.

Recognition of independently existing cultural currents does not deny that they mutually supplement and mutually enrich one another. But this in no way means assimilation. There is no doubt that the polycultural nature of Kazakhstan is a progressive factor of our society's development. And we must utilize the possibilities given to us by history in their full measure. Our Eurasian roots permit us to unite the Eastern, Asian, Western and European currents, and to create a unique Kazakh variant of polycultural development.

I feel that considering the existing realities, our parliament must create a fundamentally new legislative foundation for development of the culture, with regard for the existence of the different ethnic cultural currents. It must be based on changing and supplementing legislation in order to prevent all kinds of discrimination based on ethnic characteristics and to ensure full implementation of the principle of equal opportunities for all citizens of Kazakhstan. Unless we adopt a package of laws accounting for the interests of all ethnic groups and general national interests, we will be unable to build and to strengthen interethnic consensus and civic peace in the republic. I am deeply convinced of this.

Considering the need for achieving consensus between all social forces, there are other measures that we can implement in order to ensure peace and harmony in our common home.

In my opinion, there are two ways to reach this objective, so highly important to our country:

1. either to sign a voluntary agreement among all political parties and movements and the mass media, which must assume the obligation of strengthening the trust and friendship of peoples, peace, and stability in the republic, especially in this complex transitional period,
2. or to enact legislative prohibitions and stiff sanctions against all transgressions upon social and political stability on the part of citizens, political and public organizations, and the mass media.

I would choose the former.

In fulfilling the will of the people who elected them, the Supreme Council and the deputies could become the initiators of such a step toward consensus. Moreover, this is vitally important to the implementation of the reforms we have planned.

Respected deputies! The last few years became a time of tremendous work in the foreign policy sphere for us. Let me note first of all that Kazakhstan is no longer the state that it was three years ago. We have been recognized to be an equal and independent partner in the world community. As the president, I have had to apply considerable effort to establishing the country's sovereignty, strengthening its security, and raising its international authority in regional and international organizations. The body of treaties and laws serving as the foundation of Kazakhstan's mutual relations with the outside world enjoyed development and guarantees of security have been given by the leading nuclear powers—the United States, China, and Russia.

Kazakhstan's participation in treaties—on limiting and reducing strategic offensive arms, on eliminating medium- and lesser-range missiles, and on conventional armed forces in Europe—and ratification of the Treaty on the Nonproliferation of Nuclear Weapons by the

Supreme Council in December 1993 evoked a positive response from the world and opened up new possibilities for the republic's integration into the world community.

In continuing the work that has been started, we must deepen our foreign policy course. Our own understanding of the problem, "the way we see ourselves in world policy today," is no longer enough. We also need to know and consider "the way international partners see us." Or more accurately, "the place we will be able to assume in the new world economic landscape."

Difficult as it may be, you and I will have to finish developing our foreign policy strategy and determine our place in the world geopolitical landscape this very year. New global economic zones are currently forming in America, Europe, and Southeast and Central Asia. Because of its territory, its raw material resources and other factors, Kazakhstan, as with all Central Asia, will inevitably be drawn into the solution of serious geopolitical and economic problems in which we have an interest ourselves.

The sort of state we will leave to future generations will depend on what steps you and I take in this complex situation. This is in fact the aspect that was central to the series of negotiations during state visits to the United States, Germany, France, England, Japan, and Russia, and the official visit to our country by a government delegation from China. The agreement we reached on legal establishment of the borders between China and Kazakhstan has historical significance.

One of the most important aspects of our foreign policy has to do with the profound economic processes that are gaining momentum in Asia, and that will not surface in the political life of the continent, in my opinion, until the end of this century. I am referring to inception of the processes of economic integration on the Asian Continent. Sooner or later the issue of conducting coordination and integration efforts within the framework of the entire continent, and perhaps even that of creating an Asian common market, will come up before us here in Asia. On our part, we need to continue the persistent work of organizing a conference on interaction and measures of trust in Asia.

Another highly important aspect of our foreign policy is relations with post-Soviet countries, inasmuch as the domestic situation in Kazakhstan is determined to a significant degree by geopolitical factors, the most important of which is the unique position of the republic in the CIS, and by our mutual relations with Russia and fraternal states of Central Asia. I would like to make special mention of an agreement between Kazakhstan, Uzbekistan, and Kyrgyzstan on a unified economic space, which is already producing positive results.

Kazakh-Russian negotiations held in Moscow in March of this year can be said to be a new, important stage in the relations of our states. Russia selected the path of democracy and market reforms, rejecting forever the

imperial claims of the former Union. We are pleased by this. Making a real effort to build good strategic relations with Russia is in the interests of our people.

It has now clearly become a necessity for reforming the Commonwealth into a more effective, working association. All the more so because differences exist between the aspirations of the political elite and the peoples of the CIS countries. The bulk of the population in the Commonwealth is oriented toward integration at the same time that certain political circles are oriented only toward reinforcing state separateness. In short, the currently established conditions dictate the need for a transition from the old forms of integration, which imposed no obligations on anyone, to a qualitatively new stage in the development of the Commonwealth. My initiative to establish a Eurasian Union is directed at this. This week the plan for its formation was published in the press, and sent to all CIS heads of state. Still earlier, I had presented its basic premises to our parliament's Coordinating Council.

No one can deny that Kazakhstan, and other states as well, are interested in realizing this idea. The consequences of catastrophic destruction of economic ties can be surmounted in the economic aspect. On the backdrop of instability on the southern borders of the CIS, creation of a Eurasian Union would be a guarantee to the external security of all member states of the union. This is one of the necessary conditions of domestic political stability in each of them. It is no accident that cessation of military activities, economic blockade, and other repressive actions on the part of a particular state was proposed as one of the mandatory conditions of entry into the Eurasian Union. Joint efforts within the bounds of the defensive space of the states would make it possible to create an effective mechanism by which to prevent and quell possible interstate and internal conflicts. It is with this purpose that creating interstate peacekeeping forces while continuing to maintain national armed forces is proposed. The new level of integration will make it possible to solve the day-to-day problems of many people who suddenly found themselves separated by the borders of new states. Restoration of normal human ties and establishment of harmony in the lives of people in what was once a unified space have, in the final analysis, a deeply humanitarian orientation. That is the main essence of my initiative.

By implementing the ideas of the Eurasian Union, together with its possible adjustments, our peoples would organically enter the mainstream of world integration processes, which would be a civilized way of unifying countries and people.

On the other hand suggestions that we are attempting to restore the Soviet Union under the guise of the Eurasian Union are simply unfounded. The USSR was created on the basis of two fundamental principles—a planned economy and a totalitarian political system. Both have been brought down, and there is no way that a monster

state, an imperial state could resurrect itself on the foundation of a market economy and democracy. Such that all fears and anxiety of this sort are unnecessary.

Considering what is happening in the CIS, parliamentarians must not distance themselves from the problems of interstate relations. Our parliament needs to give this some thought, so that this task could become one of the key areas of its activity.

Nor can I ignore one other important topic. I am referring to the extremely high responsibility borne by the government, by each of us, no matter what posts we occupy, for the destiny of the fatherland in its difficult turning point. First of all, we must make it clear to ourselves that according to the Constitution, the power we hold is a single whole, though I must emphasize that it does have branches—legislative, executive, and judicial. This means "rendering unto the Lord what is the Lord's, and rendering unto Caesar what is Caesar's," or as Kazakhs say, "Baygige kosaryma zhuk artpa, zhuk artaryndy baygiga kospa [Russian transliteration]." Both this ancient utterance and the folk saying have deep meaning, and it would not be bad to ponder it once again.

Unfortunately, following the old stereotype, we are still dividing power into first, second, third, fourth, and so on. Hence follows the diffusion of responsibility, mutual complaints, and hunts for culprits, which have never led to anything good. And as long as we continue to adhere to this "numerical" logic, we will be unable to surmount the difficulties, we will continue to deepen them, dooming the people to further deprivations. I am deeply convinced that we will be able to complete the tasks before us only by strictly pursuing a single goal, and maintaining coordination in the actions of all government structures.

Let me begin with the president. As the popularly elected head of state, I bear responsibility for everything happening in the country. Being the guarantor of observance of the Constitution, and of the rights and freedoms of citizens it foresees, I am applying all effort to ensure efficient interaction of all branches of government, and will continue to do so. I intend to organize the work in such a way that each branch of power would bear the full measure of responsibility before the people for the work entrusted to it.

My participation in the country's economic life will manifest itself in qualitatively new forms. First of all through legislative initiatives of the president. They have been determined for this year. A package of bills is being prepared according to a prearranged schedule.

I feel it necessary for the Supreme Council to practically realize the concept of a permanent professional parliament in application to the conditions of a presidential republic. It is my deep conviction that a two-chamber parliamentary structure meets the interests of Kazakhstan's legislative policy to the greatest degree. It makes it possible to do away with the flawed practice of adopting half-baked laws, often written to the advantage

of some departmental or regional lobby, and sometimes even a specific high-placed official. Naturally this will also mean an end to manifestations of populism in legislative activity. There are full grounds for believing that a situation will be created under which both state and regional interests will begin combining harmoniously.

Without a doubt a two-chamber parliamentary structure will complicate the entire legislative process to a certain degree. But this should be interpreted as a positive factor, inasmuch as the adoption of laws will be mandatorily preceded by meticulous and sober analysis of the state and development of the society, and of the legislative experience of other countries.

Questions about correcting the status and powers of some state bodies, the procedure for their formation, and the system for their subordination arise in this context. Certain refinements will be needed in the constitutional powers of the president as head of state, responsible for interaction of the different branches of state power, and consequently endowed with arbitration functions. Therefore, it would be correct to return once again both to the topic of the president's impeachment and his right to dissolve parliament.

Next, current legislation needs major correction. I am referring to elimination of contradictions and clearing it of anachronisms. Experience has revealed an enormous amount of provisions and norms in our laws that are inconsistent with the economic environment, both by deliberate effort and de facto. Much is being said about this, including within the walls of the parliament. It is time to get on with the practical work of solving this problem. We must do away with all of the legal casuistry, which not only reduces the effectiveness of the state's legal actions, but also the authority of legislative power.

And finally, comprehensiveness and mutual coordination must be imparted to the entire legislative block of the reforms. Norms that are written into, let us say, laws on education or public health, on entrepreneurship or social support to the population, must correspond to tax or banking legislation. We need to exclude cases where, for example, provisions written into the law on support to the aul, the town, and the agro-industrial complex as a whole are so unfulfillable that the law becomes totally meaningless. Our laws are generally a mess. I am not talking about occasional inconsistency—they may even conflict.

In this connection I feel that the parliament's legislative activity must be goal-oriented, based on the overall state strategy for conducting and deepening the reforms. We need to work out a very clear and effective procedure for the entire lawmaking assembly line, if you will, and establish strict regulations that must be observed unflinchingly.

There needs to be a procedure under which all bills are prepared and submitted by the Cabinet of Ministers to the Supreme Council. This does not take away the right

of legislative initiative from those who possess it. Supreme Council committees carry out expert examination, and then submit these bills to the session for examination.

You might say that this principle was in place before. Yes, but it did lack one most important thing. I am referring to the fact that a bill must be accompanied by the entire mechanism of its realization, which has been worked out no less thoroughly and meticulously, to include drafts of acts and other normative documents applicable to the law, proposals on organizational structures, legal, economic and fiscal measures that would protect this law, and so on.

This doubtlessly imposes a high burden upon the government, and requires participation of a wider circle of specialists of the most diverse profiles in the work. But these are all necessary things. With such a mechanism in place, you see, after a particular law is adopted and enacted, the entire state machine for executing it can be started up instantaneously and integrally. The laws thus begin to fulfill their functions and role without delay.

Now about judicial power. We need to subject it this year to integral and fundamental reform. Division of courts into general and arbitration courts must be abandoned, the principles of nonremovability of judges must be affirmed legislatively, while at the same time the rules for releasing them from office in the event of their inability to administer justice must be introduced. Including their dismissal for actions incompatible with the high status of a judge. For this, and for organizational reinforcement of the courts, we need to establish a supreme judicial council under the president. The procedure for creating judges will be established in particular on the basis of its recommendations.

Executive power is a special topic of discussion. I do not think there is any need to dwell in detail on the tasks facing the government. The overwhelming part of the directions and measures foreseen in the message will have to be implemented by him. The main burden of all the work is laid upon him. It is daily drudgery, and in many ways, thankless. Well, what can I say? It is his cross, and he must bear it.

As far as criticism of the government is concerned, only the laziest critics seem to be participating in it today. Despite its extremely broad spectrum, it is based essentially on a single platform: The course pursued by executive power is erroneous. Things are worse when it comes to proposals on selecting the proper course. Even the proposals themselves have not been distinguished by deep thought or a wealth of constructive ideas. At times they have been reduced to superficial responses: If things are bad under liberalized prices, then we need controlled prices; if the course of the tenge is falling, we need to replace its floating exchange rate by a fixed rate. And so on.

This is why the government prepared a new program of crisis control measures on my instructions; it will be presented to you. I will be approving it in the most immediate future.

The government intends to fundamentally restructure all of its activity. It must be given the opportunity to do so. Close and systematic supervision of its work must be established, and if necessary, its efforts need to be corrected and adjusted as they progress, and the required assistance must be rendered.

The Cabinet of Ministers must become a team of like-minded individuals formed in the stage of development of the indicated program. This team in its entirety, and primarily its economic core, is responsible for implementing its own idea. It must receive carte blanche from the president, the parliament and people for, let us say, 15 months, to implement its program.

And during this time I think that the parliament and I will have enough opportunity to develop the mechanism and measures of responsibility of members of the Cabinet of Ministers for fulfilling their obligations.

I would like to repeat that we cannot wait for events to develop unpredictably. We need to immediately start creating, generally speaking, a coalition of reform proponents, in which I envision all branches of power and all constructively acting sociopolitical forces. It is in this way, and only in this way, that we will be able to create a stable basis for implementing the long-range, goal-oriented program for Kazakhstan's transformation into a civilized 21st century state, into a full and worthy partner of the world community.

I would like to conclude with an appeal to you in the words spoken some time ago to the American people by President John Kennedy: "Ask not what your country can do for you, ask what you can do for your country."

Nazarbayev Message on Economic Crisis

944K1469B Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 11 Jun 94 pp 4-6

["Message to the Supreme Council of the Republic of Kazakhstan: On Accelerating Market Transformations and Measures To Surmount the Economic Crisis"]

[Text] The president of the Republic of Kazakhstan addresses the Supreme Council of the Republic of Kazakhstan with this message on the basis of the Constitution of the Republic of Kazakhstan (Article 78, Item 10).

The message contains a political assessment of the domestic situation in the country and the foreign political position of Kazakhstan, and progress in carrying out the processes of transformation, conducting social and economic reform, and the activity of the supreme bodies of state power in implementing the strategic course of establishing a democratic state with a market economy.

The message identifies the key directions of state policy in the area of successive reform of all spheres of economic, social, and public life, and of reinforcing Kazakhstan's statehood and the sociopolitical unity of the peoples inhabiting it. Political and economic goals are formulated, and the corresponding tasks are posed to bodies of power and management concerning their achievement in the forthcoming new stage of transformations.

The message is directed at consolidating all branches of state power and all forces of society, and at concentrating the efforts of all political parties, movements, and associations, and all the healthy potential of the state on carrying out the principal national task—extricating the country from its deep crisis, deepening reforms and further developing democracy, and strengthening the sovereignty of the Republic of Kazakhstan.

I. Assessment of the Progress of the Reforms and the Country's Socioeconomic Position

1. A little over two years ago Kazakhstan, and other countries of the CIS, embarked upon implementing radical measures to reform economic relations, and it has advanced noticeably along the path of transforming the command economy into a market economy. The foundations of the old system have already been dismantled, and the processes of transformation have essentially become irreversible.

The system in which production had to follow a certain structure and organization and the system of centralized distribution of resources, material blessings, and labor have been dismantled.

A transition from price formation by directive to a system of freely forming prices that reflect market conditions to a significant degree has basically been accomplished. Only a short list of socially important goods and services are now subject to direct state regulation. This list will remain in force.

State restrictions on wages in the sectors of material production and services have been lifted.

The "iron curtain" in foreign trade has been eliminated, and it has undergone major demonopolization. The influx of foreign investments into the country's economy is continually growing.

Fundamental reform of the budget and banking systems is continuing with the goal of bringing them closer to civilized standards.

Currency and loan capital markets are forming at an accelerated pace, and the size of the labor and housing markets is increasing.

Reform of property relations is continuing. Denationalization is currently proceeding intensively,

and conditions are being prepared for further privatization of state enterprises.

The institution of private ownership is beginning to acquire visible outlines; the rights of private ownership are becoming ever more equal to the rights of state ownership in economic relations and in public consciousness.

The country's legislation have undergone significant changes in the direction of confirming the principles of a market economy and democracy.

Radical transformations in the economy and society coincided in time with attainment of sovereignty, establishment of statehood, and reform of government and management.

The new positions of the country are being comprehended, strategic thinking is taking shape, and national interests and state priorities are being recognized. Division of Union property has basically been completed, Kazakhstan's national wealth has been determined, and accumulation of the country's own gold and currency reserves is proceeding.

With the introduction of our national currency—the tenge—a major step forward occurred along the path of attaining the country's economic independence and eliminating uncertainty in the reform of its financial and credit system. It is precisely from this moment on that we can discuss the independence and responsibility of the government and National Bank for the state of affairs in the economy.

The system of executive power has been changed fundamentally. The institution of president has been established for the first time in the state's history. New bodies of state management necessary for implementation of market reforms have been created in the government. On the other hand, structures that had become unnecessary, and even obstacles to transformation, were abolished.

The establishment of statehood and development of market reforms were supported legislatively by the Supreme Council, the structure and activity of which have become fundamentally new.

The judicial system is being subjected to major changes. Observance and execution of the state's new laws and creation of a law-abiding society would be unimaginable without its reform.

Adoption of the country's new Constitution marked final legal affirmation of the will of society for change, and of the political and economic freedom of citizens.

Kazakhstan is no longer a timid, little-known subject of international relations. Our young state is working dynamically to occupy a worthy place

in the world community that is adequate to its geopolitical position, its extremely rich resource potential, its contiguity with great powers, and the polyethnic composition of a population with a high educational level.

The population, economic agents, and state institutions are continuing to adapt to life under market conditions, profound changes are occurring in the consciousness and psychology of people, and values are being reassessed.

2. Kazakhstan is presently experiencing a historical period of unique difficulty. What makes this period unique is that we have collided with an extremely difficult economic and social crisis having an objective nature and caused by numerous factors

First, the crisis is a phenomenon that is organically inherent to a market economy. All developed countries with market type of development periodically have undergone certain forms of crisis, and are still doing so today. The severity of the crisis can be reduced, its consequences can be minimized, and the speed with which the crisis is surmounted can be accelerated, but no one has yet been able to avoid a crisis. Unfortunately, we started our economic cycle with the crisis phase.

Second, Kazakhstan acquired sovereignty and assumed a course toward independent development at a time when manifestations of a severe crisis, generated by flaws in bankrupt administrative methods of managing the economy, were already evident

Third, the crisis we are enduring was brought about by disintegration of the former economic system and by the need to establish a qualitatively new one.

The state's abrupt departure from fulfilling functions of administrative interference in all processes of production, distribution, and consumption of a product quickly and clearly illuminated the full insolvency of the previous economy, and its incompatibility with new values and the concept of effectiveness, and revealed the enormous disproportions in its structure.

The new economy and its reorientation toward the marketplace graphically revealed how unnecessary a large number of enterprises and major production operations were to supporting Kazakhstan's national interests. Entire sectors and subsectors lost their formerly firm and, it seemed, permanent place in the economy: certain mining, metallurgical, and machine-building operations, chemical and petrochemical industry, construction materials industry, and others

That the telecommunications system was deeply outdated and practically all forms of transportation and communications, routes of access to trade in the foreign market, and channels for import and export of goods, capital, and manpower were underdeveloped clearly manifested itself.

One of the main causes of the deepening of the economic crisis was the disintegration of the USSR. Kazakhstan's economy was a "chunk" of the whole and monolithic economy of the Union at the moment of its acquisition of sovereignty, and it went on performing its local task.

We inherited part of the Union-wide national economic complex, essentially an economic GULAG that clearly reflected the imperial and communist ideology of regional division of labor within the USSR. Its Kazakh "island," which had a top-heavy structure with a hypertrophied mining, agrarian, and raw material sector, was oriented on all kinds of things except its own needs and those of its population. Providing for the needs of other such "islands," Kazakhstan satisfied the larger part of its needs at their expense, following the will of the center.

Kazakhstan's economy was deprived of its former nutrient medium, taking the form of subventions and subsidies from the Union budget (in the last year of the USSR's existence they represented a sixth of our republic's budget) and departmental sources of financing. The latter reflected especially severely upon sectors and enterprises that had formerly been under what was known as Union subordination and provided over 90 percent of the republic's total production volume. To add to this, all the mining operations that made up the state's industrial basis were extremely capital-intensive and constantly required support and expansion of the raw material base, as well as various sorts of budget and credit injections.

Another legacy—an extremely lopsided trade balance, chiefly with Russia—also fell on the shoulders of our young state as a heavy burden. In 1990, when 18 billion rubles' worth of products were imported into the republic (at prices of the time), exports were half as much. This negative balance came to be treated as the country's state debt, thus broadening and enlarging expenditures from the state budget.

Given the extremely severe financial situation, an open market, and movement of fuel prices toward world levels, Kazakhstan found itself overproducing certain types of products—meat, phosphorus, mineral fertilizers, tractors, cement, and a large number of other goods. The sales market for Kazakhstan's products was reduced to the space of the CIS, and consumers—both foreign

and domestic—became extremely selective regarding all quantitative and qualitative parameters, prices, and other factors. The production volumes of some formerly strategically important types of products significantly exceed the country's internal needs. And outside Kazakhstan they do not enjoy a steady and profitable market in view of their qualitative characteristics, as well as due to the absence of prior experience in trading in the foreign market.

In a market economy, only those enterprises that reorient and restructure themselves the fastest will survive. Quarries, mines, concentration factories, and plants will not find a place for themselves, and will go bankrupt, if their products do not enjoy a steady and profitable demand.

The country's economy and population will not lose anything if a large number of ineffective production operations are shut down. The main attention must be directed at finding jobs for people and making effective use of their potential, so that they would not create a burden on the state budget, and instead provide for their own welfare in new jobs. Moreover, there is a clear and obvious payoff because enormous amounts of resources, which are spent in the form of preferential loans, loan extensions, low rates, and all kinds of other tricks to artificially lengthen the life of such subsidized enterprises, would be freed.

In agriculture, our livestock farming is ineffective. It is practiced without the necessary selection, and it lives on expensive forage. While we produce extremely large volumes of grain, exceeding the country's needs, we possess an inordinately huge farming area characterized by extremely low yields. Such a rural economy could have existed in Kazakhstan only in conditions under which huge outlays on fertilizers, herbicides, agricultural machinery, harvesting, transportation and processing of grain, meat, and milk were subsidized centrally each year—to a total of around R4 billion (in 1985 prices) and \$100 million.

Deprived of its traditional external sources of financing, from the very beginning Kazakhstan found itself in a severe financial crisis that weakened the social protection afforded to the people.

In conjunction with inflation, a production slump, stratification of the population by income level, which is unavoidable when the leveling principle is discarded, and confirmation of the institution of private ownership, this generally leads to a noticeable decline in the standard of living, especially of persons with fixed incomes.

A similar situation exists in all countries of the CIS, inasmuch as they are experiencing similar crises evoked by the same basic causes.

3. Left to their own devices, market forces stimulated the inception and increasingly more active development of new sectors of the economy and forms of activity in practically all its spheres and sectors. The advent and swift growth of new subjects of economic life, and their occupation of formerly unfilled "niches" and obvious vacuums, started moving the economy into correspondence with new requirements regarding values, effectiveness, and demand.

In the initial stage the energy of the fast-growing entrepreneurial sector flowed chiefly into the sphere of circulation, as being the most receptive to free market relations, and most effective for private business. Trade and services, which formerly occupied an unjustifiably small place in the economy, developed swiftly.

Market forces reacted just as vigorously to the outdated nature of the sphere of state finances and credit, and its unpreparedness for work under market conditions. This also manifested itself as a no less swift, albeit chaotic, development of private banking, insurance, and other financial institutions of the market.

In the course of dynamic penetration of market structures into these and some other spheres of the economy, expansion of the spectrum of their activity, and enlargement of its scale, there began an active process of redistribution of capital and manpower and freer movement of commodity resources in accordance with the requirements of the market economy.

The stress experienced by Kazakhstan's consumer market over the course of many years was relieved. Eliminating the flaws of the former "economy of empty store shelves," the entrepreneurial sector filled the domestic market with a broad array of goods and services. Including those that were dropped by state enterprises as a result of transformation of their activity and factors associated with the crisis, as well as goods and services that had formerly been accessible to the Kazakh consumer because of the closed nature of our economy.

As it accumulated, the newly forming trade capital began displacing the state from its positions as a monopolistic client in relation to other sectors, production operations, and enterprises, thus directly or indirectly stimulating structural shifts in various sectors of the economy.

Old, ineffective production operations and entire spheres of activity are being swept into the center of the crisis and out of the process of producing the gross domestic product, and withering away. New and effective operations are unable to form,

assume their proper position in the economy, and compensate for the losses in such an extremely short time.

There are enterprises in all our sectors that are able to compete. But if they are to develop and survive in the brutal competitive struggle, they will need large investments. Not only from external but also from internal sources. However, long-term outlays of all kinds can be possible only if inflation remains at least below 10 percent. That is, the solution to the problem depends on general financial improvement of the economy. Only then will internal investments become possible, incentives in favor of accumulation by the public will appear, and growth and modernization of production will begin. This will require the National Bank to pursue a tight financial policy, no matter how painful this might be to everyone. There are no other alternatives here.

4. The effectiveness of the present policy and the state's practical activity in switching to a market economy was also reduced, besides by objective decelerating factors, by the inconsistency and, in certain cases, thoughtlessness of measures and decisions, and tactical mistakes.

Not enough thought was given to the fact that certain elements of the old system were still alive, while the seedlings of the new economy were still weak, and they had to push their way through the ruins of the old system, which poisoned the healthy embryos of the market rather than nourishing them.

Bodies of state power and management did not always support the implementation of programs and ideas, attainment of unity and synchrony in actions, and successive and complete attainment of goals sought in the programs.

The legislative body that existed previously, which was not a permanently operating parliament, was unable to keep up with the dynamics of the political, social, and economic processes. The laws it adopted—close to 300 of them—were not always distinguished by high quality, because they were written in haste and did not undergo the needed approbation. Lawmaking was mostly mechanical, and the deputies often acted as "voting machines." At the same time the drafts of legislative acts submitted to parliament pertaining to some urgent problems of state and economic life were tabled for no reason. Among them was a program of legal reform submitted to the parliament for approval two years ago. Its prompt adoption could have helped us move significantly forward in this area during this time, and keep constitutional reform from becoming as acute a problem as it is today.

In the big picture, the former Supreme Soviet did not become a parliament in the full sense of the word, because it bore the marks of the old unified system of all-powerful soviets, which were forced into the past by the pressure of history and a new way of life.

The banking system found itself completely unprepared for work in the new conditions. Extensive and practically unregulated liberalization of banking activity, the unrestricted freedom of action of commercial banks, coupled with imperfections in the legislative base and the unpreparedness of the entire financial and credit system of the state for market principles and conditions, produced an overall impact dominated by negative results. Delays in reforming the banking system are an obstacle to adaptation of production to work under market conditions, its diversification, and development of market forces in general.

Antimonopoly and competition policy is rather weak and sluggish. The energy of private entrepreneurship has not been fully released. As in the situation with the National Bank, inconsistency in establishing the corresponding state institutions and determining their status, shortcomings in legislative support, and the low effectiveness of the work of the newly established bodies themselves had an effect.

The government did far from everything it could to weaken the influence of objective circumstances and other negative external factors on implementation of the reforms and stabilization of the economy. It made poor use of the powers granted to it for these purposes, to make the market transformations more active and purposeful, and it was unable to adequately organize a coordinated effort by state bodies of management.

The government's chronic inability to reform the economy has expressed itself as marching in place and delays in solving many urgent and undressed problems.

An adequate reaction to the payments crisis is lacking, no mechanism of rehabilitating and bankrupting enterprises has been developed, tax policy and practices leave something to be desired, and much else. As a consequence, financial policy at the micro-level is clearly behind macroeconomic policy.

The government was late in forming a securities market, in fundamentally reforming the insurance business, and generally in creating a civilized market infrastructure. Many serious problems have accumulated in the work of denationalizing, managing, and disposing of state property and state enterprises, and in many cases competent solutions could not be found for these problems.

The approaches to reforming the agro-industrial complex and developing the nonstate sector in education, public health, and other sectors of the nonproductive sphere are still not dynamic and effective enough. It is time to do something about this.

An industrial policy has still not been developed, especially regarding the methods of selection of enterprises, and of determining the development prospects of each subsector and large production facility.

Personnel are being trained for the new economy in an extremely unsatisfactory manner, without a well-conceived program and the needed energy. Statistics and accounting are being adapted to the market system with impermissible slowness.

Because society's attention was concentrated on the activity of the legislative and executive branches of power, judicial power was deprived of the attention it needed. This is despite the fact that the courts are the most important component of the mechanism for protecting the rights and freedoms of citizens. Judicial power in Kazakhstan has not yet appeared, has not yet acquired the authority inherent to it in countries with a developed democracy.

The old orientation of the courts toward the punitive extreme in examining criminal cases, which dominated for many long decades, has been replaced by the opposite orientation of extreme leniency. Judges passing clearly laughable judgments on grave crimes have become a typical phenomenon. This is not what democracy is about. It is clearly obvious that the role and functions of the state in protecting the rights of citizens and in fighting crime in this complex stage of crisis have weakened. There is no consistency in the practice of civil jurisprudence, especially when it comes to arbitration.

Differences arising between the Supreme Court, the Supreme Arbitration Court, and the Constitutional Court are not helping to strengthen the authority of judicial power. Pressure on the courts from certain officials of both legislative and executive power is an obstacle to objective examination of criminal and civil cases. Nor has the existing procedure of forming courts and appointing judges justified itself. As a result, people who work in the courts often should not be there.

Low discipline has become a serious problem in the activity of bodies of state power and management, and in all of its branches. Efficiently operating executive mechanisms have not been developed at all levels to activate practical implementation of state policy and fulfillment of state decisions. The state machinery retained many elements of the old and cumbersome

bureaucratic machine. At the same time certain useful methods and forms of work were unjustifiably excluded from its arsenal in the heat of democratic passions and political emotions.

5. While we admit to past mistakes and errors, we must at the same time recognize that Kazakhstan and its political and state leadership is undergoing a learning process, a process of assimilating fundamentally new phenomena together with all society, and carrying out global transformations midstream. The situation in the country could have been much worse, had the sociopolitical situation been destabilized. At the same time, support of political stability is closely associated with the situation in the economy. This is why the deepening of economic reform is now becoming a political problem.

In this connection, sober analysis and assessment of the path we have traveled is oriented chiefly on developing a constructive policy of further actions soberly and thoughtfully, without mutual reproaches and accusations, without fault-finding and attaching political labels.

The times we are living through are indicative in that the previous economic structure has ceased to be an integral system, but the seedlings of the new have not yet gathered strength. There is only one way to support them and stabilize the economy—increase the rate of transformations. In no case may we march in place. This will not make the situation any easier, and will only intensify and lengthen the time the burden must be carried—last year and the beginning of this year have clearly shown this to be true. To add to this, we still have a long and hard segment of the path to travel. It is important to extract the proper lessons from the accumulated experience and to make adjustments to the program of reforms.

II. The Main Adjustment

We generally know what to do next and the general orientation of the reforms: denationalization and privatization, effective inflation control policy, minimization of the budget deficit and the balance of payments deficit, stringent bankruptcy mechanisms, liberalization of prices and trade, creation of a competitive environment, and so on.

6. The problem facing the country's leadership today is:
 - a) either to continue to conduct a policy of reform at the same pace, on the basis of available resources and possibilities—that is, relying only on the country's own strengths and opting for maximum restrictions, chiefly in the social sphere;

- b) or to select something new with regard for the general situation, making significant corrections in the current policy, so as to ensure more dynamic pursuit of the reforms and their high effectiveness.

A policy of increasing the tax base and limiting expenditures was pursued up to the present time with the purpose of minimizing the budget deficit and suppressing inflation. This financial policy promoted the faster formation of market relations but concurrently created a crisis in the social sphere. The start of this year showed that the reduction of expenditures in this sphere went to an extreme point unacceptable to the population, beyond which the degradation and disintegration of a number of sectors looms.

Because the monetary policy was pursued without financial levers of regulation adequate to it, construction of schools was drastically reduced.

A process of closing educational facilities on the balance sheet of state enterprises began, and over 200 such children's preschool institutions have already been closed. Investments in training resources and equipment have been stopped. Food norms for children in school dining halls have been lowered. The wages of teachers have been decreasing continually when corrected for the changing value of money, and around 30 percent of teachers have already quit their jobs. The situation in the system of basic education has reached a critical point.

The same can be said for public health. Its financing, expressed in adjusted prices, has dropped by 40 percent. At the same time expenditures on communal services and medicine have grown. A difficult situation is evolving in relation to expendables, equipment, and repairs. As a result, many institutions are falling into decline. The wages have reduced the prestige of the profession and the incentive to work.

In short, destructive processes in the social sphere may become irreversible if we do not start increasing its financing. On the other hand, continuation of the reforms themselves, the urgent need to modernize entire sectors of the economy, and formation of new commodity markets within the country, primarily the housing market, are the basis for stabilizing currency and creating conditions for economic growth and require extremely sizable resources.

By all predictions, continuation of a maximally stringent, or even just balanced, policy of financial restrictions, aimed at reducing inflation and stabilizing the national currency, would lead to results opposite to the anticipated positive shifts.

To hold the budget deficit to within 4-6 percent of the gross domestic product and be able to seriously say we have inflation under control we will need to sharply increase taxes on enterprises, and cut social programs just as sharply; however, intensification of tax pressure would serve as an excuse for shutting down business activity and would encourage enterprises to evade taxes.

Absence of adequate resources will make it impossible to find a satisfactory solution to the problem of defaults. In order to suppress inflation, we will have to opt for an extremely brutal variant of bankruptcy. But then the production slump and unemployment will grow dramatically, and the quantity of goods in the marketplace, which is already low as it is, will drop even more, which will make the population more eager to trade in the tenge, and its exchange rate will continue to fall. Absence of resources will make it impossible to flood the market with a product of strategic importance to the population—housing, which could “tie up” the income of the population, including its future income.

Unemployment, delays in paying wages, and reduction of the population's real income will periodically lead to social protests. The pressure of these protests, as well as of sector lobbies demanding “cheaper money,” will force the government to make large unforeseen expenditures and to print more money. Ultimately, besides an even greater production slump, growth of unemployment, and a falling exchange rate of the tenge, we will experience galloping hyperinflation, and as a consequence, a social explosion.

This is precisely the way events developed from the moment of introduction of the tenge. Were we to continue on this course, it would be impossible to discuss the reequipment of production or establishment of a truly viable private sector in the economy, one capable of counteracting the deterioration of the overall economic situation, or a solution to problems of a strategic nature.

7. The adjusted approach would consist of easing the direct tax burden on legal entities and individuals, coupled with sharply stiffer penalties for nonpayment of taxes and improvement and adjustment of the mechanism of indirect taxes. Initially this will cause a decrease in budget income but will concurrently allow business activity to grow, and in the future payments into the budget will increase.

We need to reform the expense side of the state in parallel:

All expenses that are government expenses by their content should be transferred to the state

budget and removed from the budgets of the National and commercial banks, as well as enterprises;

as a minimum, certain social parameters of the economy should not be subjected to further reduction and worsening—especially outlays on medicine and education;

the government should put money into rehabilitating the "sick" part of the state sector, modernizing and rebuilding the "healthy" part, supporting the private sector, and creating a modern market infrastructure;

the state needs to form "seed capital" to support the forced establishment and development of the housing market and acquisition of new buildings on a major scale.

The inflationary nature of such an approach is neutralized by the fact that a higher budget deficit will be financed by noninflationary sources—through domestic and foreign loans, chiefly on a collateral basis. The prospects of obtaining foreign loans are fully realistic. This assessment is based on our rich natural resources, and the confidence the principal donor-countries show in Kazakhstan. This confidence is based to a considerable degree on our sociopolitical stability and on the results of our official and working visits to countries of the far abroad. We are not doing anything new here—many countries have solicited large loans during times of economic reform.

Under the adjusted approach, our state will continue to treat reduction of inflation as one of the main objectives. However, it will do so not exclusively through arithmetic minimization of the budget deficit, but in a deeper and more flexible way—by utilizing noninflationary sources to finance it.

This will make it possible to leave the points of future growth intact, and to lay the foundation for solving strategic problems and for ensuring economic growth, inasmuch as in this case the state's expenses would not be limited by miserly restrictions. However, in this case the threshold of liabilities, which takes account of the certainty of repayment of borrowed assets, and which cannot be exceeded, will be correspondingly recalculated.

8. We have embarked upon the most critical period of our history. Circumstances have evolved such that in the next six to seven years, and especially in the first two to three years, the country will experience its greatest need for resources to be used to reform and modernize the economy. But at the same time it is precisely in these years that it will encounter the most acute financial deficit. But the final result creates optimism: According to estimates, Kazakhstan will attain a positive

financial balance in seven to eight years due to development of natural resources and implementation of contracts already signed.

Our country is in a select group of states in terms of explored oil and gas resources. The Tengiz oil and gas deposit and the Karachaganak gas condensate deposit are among the top 10 deposits of the world in terms of their reserves. Total receipts into the state treasury from their development will be over \$100 billion. The country also has an enormous export potential in relation to many other mineral resources.

By sensibly disposing of its natural wealth—by utilizing future income in the form of foreign loans for today's needs—Kazakhstan will be able to surmount the temporary difficulties and enter the stage of intensive economic growth.

9. It would be unrealistic to pose the task of instantaneous transition to the second variant of economic policy—a less restrictive, socially more merciful variant. This will require time and meticulous work.

Consequently the government has made it its goal to take the necessary steps to attract foreign and domestic loans to stabilize the economy in a form and under conditions acceptable to international practice, and to achieve a gradual transition in the next 15 months to development of the economy along the adjusted course.

This the way we can eliminate the social tension in society, bridle inflation, and surmount the crisis.

III. Measures To Surmount the Crisis and Further Deepen the Reforms

The main direction of surmounting the crisis and stabilizing the economy is to make market transformations more dynamic.

10. The priority goal of social policy today and in the medium term is to prevent a further decline in the standard of living of the poorer strata of the population and of persons on fixed incomes, while simultaneously rehabilitating production enterprises.

In addition, raising employment and supporting measures of social adaptation of the temporarily unemployed population, developing a system of social insurance, and reforming the wage system in such a way as to provide for a minimum wage guaranteed by the state and permit gradual removal of restrictions on maximum wages, continue to be important tasks of the government. The contract principle of regulating wages between blue- and white-collar workers, employers and trade unions, realized through collective contracts and tariff agreements, must

become the norm. We need to create a situation in which the state is able to guarantee citizens a level of consumption that will be determined as the minimum social standard. The minimum wage will be set on this basis, and itself will become the basis for determining the parameters of the wage fund as related to cost. We need to decentralize financing of social programs. A certain minimum amount state support must be established at the state level, while the problems of providing supplementary assistance to poor citizens within the framework of the local budget's possibilities must be resolved at the regional level.

The state's social policy in relation to the unemployed must be oriented on creating and approving the legal and economic conditions for drawing the unemployed able-bodied population into economic activity. We need special supervision of mass layoffs of people and their rehiring, occurring chiefly as a result of elimination and bankruptcy of unprofitable enterprises and production operations. The system of occupational training for young people should be brought into correspondence with the needs of the economy.

The government needs to regulate pension benefits and introduce a system of mandatory and voluntary pension insurance on the basis of a comprehensive analysis of the existing system of pension support. We need to orient ourselves on establishing a three-tiered system of pension support. Minimum pensions guaranteed by the state would be on the first tier, pensions granted under mandatory pension insurance would be on the second, and pensions granted out of nonstate pension funds would be on the third.

During the stage of crisis and stabilization, the government must direct its efforts in the social sphere toward supporting and preserving the currently established network of social, cultural, and personal service institutions, primarily medical services and basic education. In the future health insurance will become one of the principal forms of providing medical services to the population. The immediate tasks in this direction are to create the corresponding legislative base and draft a state program for developing the health insurance system.

In implementing its housing policy, the government must seek financial resources that would make it possible to grant preferential loans with a term of up to 30 years for individual housing construction. The Supreme Council must examine and pass bills prepared and submitted by the government on these issues.

11. This year executive and legislative bodies must implement effective measures to reduce the rate of inflation and bring it under control. Inflation is

the most destructive attribute of the crisis. Like rust, it eats away at the main supports of the economy, devalues the savings of enterprises and the population, making it impossible to modernize the economy, and undermines the national currency. Continuous growth of prices wears people down psychologically, evoking uncertainty in tomorrow, and makes planning for the future impossible.

Jointly with the National Bank, the government must continue pursuing a stringent inflation-controlling financial and credit policy, though with regard for gradual transition to a course of reducing the tax burden on enterprises and increasing the state's outlays in support of market transformations without causing inflation.

12. A significant number of enterprises have still not adapted to working under the conditions of a market economy and stringent financial and credit restrictions. While many directors are good process engineers, they are not organizers and managers. Their thinking continues to be dominated by the concept of gross results, by tonne-kilometer thinking. The problem of selling produced products continues to be treated as of secondary importance, at a time when it should be unique and primary under market conditions. If we look at things objectively, we find that the defaults and the production slump are associated in many ways with the lack of mobility of business directors and their lack of market-oriented approaches and actions.

The government should make directors of state enterprises more responsible for the state of their finances. On the other hand, enterprises must not be left permanently bound by various sorts of obligations regarding production, employment, and maintenance of facilities in the social sphere.

We need to find mechanisms for stimulating managers of state enterprises without delay, ones that would orient them toward increasing the profitability of production. Today, leadership must be assumed by those who have a program for making the work of enterprises effective, and by those who are familiar with marketing and ways to find resources with which to modernize production operations.

13. The time has come to reform the monetary, credit, and banking system with regard for Kazakhstan's sovereignty and the real requirements of a market economy.

The National Bank must become independent, both of executive and legislative power, and must be freed from lobbying, so that it could begin implementing the measures of strengthening national currency and pursuing an effective inflation control policy independently, under its own

responsibility. In the area of budget financing and monetary emission it must also perform the functions of a reserve system. This will require amending the Constitution.

A clear line must be drawn between the assets and liabilities of the government, the National and commercial banks, and enterprises. This is not an easy task, because it is confused by mutual non-payments and complicated by credit extended to pay wages granted during the recent mutual offsetting of the debts of enterprises.

All obligations pertaining to centralized credit resources issued at the demand of the government, and all financial obligations associated with extension of the term of such credit by the National Bank under pressure from the government, must be removed from the banking system and transferred to the budget. Similarly the budget of the government must assume responsibility for loans guaranteed by the government and granted to specific recipients through the system of commercial banks. This will diminish the government's desire to grant preferential loans to agriculture and state enterprises, and compel it to seriously undertake their reform.

After preparing all the necessary conditions, the government must assume the expenses of operating the social facilities of state enterprises, after which it will have the right to privatize these facilities or lease them out.

After the balance sheets of the National Bank, commercial banks, and state enterprises are cleared of their "government load," the requirements on collecting debts must be stiffened significantly, by terminating the practice of deferring loan payments to the National Bank and introducing a stringent bankruptcy mechanism that would make it impossible for a bankrupt enterprise to become a solvent entity.

In order to form a full-fledged capital market, the National Bank needs to firmly establish the practice of determining loan interest rates through representative credit auctions. The remaining part of centralized credit resources must be used to support production only by a decision of the government itself. Moreover, the government must play a priority role in forming credit plans, including quarterly plans. In this case the practice of providing credit to unprofitable and ineffective production operations must be prohibited legislatively.

Looking from a wider angle, we need new legislation on bankruptcy, collateral, and leasing, and procedures associated with the former, and we need to refine the laws on the National Bank and commercial banks. All relations between the state and state enterprises must be determined clearly: I am referring to dividends, supervision, financial

results, management, appointment and dismissal of managers, and so on. This would best be done by adopting a law on the state enterprise while concurrently repealing the law on the enterprise.

14. It will be impossible to surmount the nonpayments crisis without starting up mechanisms of dividing enterprises into "sick" and "healthy." Among weak enterprises, those that can respond to economically recoupable resuscitation and rehabilitation will be subjected to a rehabilitation and recovery procedure, while the rest will be allowed to "die out" as bankrupt entities. No one, neither the government nor the banks servicing them, is in a position to assume their burden.

Relief from hopeless debtors will reduce bank risk and create conditions making it possible to reduce the discount rate for banks.

In order to carry out the functions of rehabilitation and bankruptcy of enterprises operating at a loss, we need to study the issue of creating a special structure—a bank or a rehabilitation agency—which would finance the recovery of insolvent enterprises on an individual plan in justified cases.

The algorithm of this process is as follows. Enterprises, large ones primarily, that are sinking to the bottom would be placed under the trusteeship of the indicated bank (agency) voluntarily or by decision of empowered bodies. From this moment on rights of property disposition will be transferred temporarily to this bank. It will also form a new watchdog council over such an enterprise.

If the bank (agency) concludes that the enterprise is viable, it will subject it to rehabilitation and privatization through debt restructuring, change the managerial staff, downsize the enterprise, sell off property assets, and implement other measures necessary for recovery. The therapy provided to small and mid-sized enterprises will basically take the form of consultations by the bank (agency), assistance in drafting reconstruction plans, and in certain cases, financial support.

15. As before, denationalization followed by privatization will continue to have key significance in the reform of enterprises.

Privatization of small enterprises has fallen behind, and we need to catch up, which basically means completing this process during the present year. Mass privatization must solve two basic problems:

- a) creation of a population of potential property owners. We need to develop a clearer mechanism of privatization on the basis of checks inasmuch as the present mechanism has revealed a number of serious shortcomings

and contradictions, and is not accepted by the majority of the population. The new mechanism needs to provide conditions allowing each citizen to choose a way acceptable to him for utilizing the share of national wealth transferred to him, and it must protect his interests. State enterprises and facilities put up for auction must be subjected to real privatization, which means that the entire responsibility for their development must be transferred to the new owners, while the state would retain the right of indirect supervision and regulation of their activity within the framework of general legislative rules and regulations. The government must find an acceptable solution to the situation that has evolved with housing coupons as a result of ill-conceived change in the "rules of the game";

- b) creation of the necessary conditions for establishment of a securities market and its infrastructure, one that closely corresponds with the conditions and rules effective in this market. Then the securities market, which is an effective and self-regulating organism, will in turn make it possible to attract investments to reforming enterprises, including foreign investments, and to organize their activity and make it more efficient

Currently effective acts on privatization and on management of holding companies and the laws on enterprises, joint-stock companies, and partnerships need to be inventoried so as to eliminate contradictions, reduce the number of levels of management, repeal obsolete provisions, and ensure unambiguous interpretation of currently effective norms. The government must adjust its national program with regard for accumulated experience and the dynamic nature of the processes occurring in the economy. Considering that privatization is a complex, multifaceted problem, not only the State Committee for the Management of State Property but also the Ministry of Economics, the Ministry of Finance, and other bodies of state management need to objectively take on its solution.

Steps must be taken to achieve real demonopolization and downsizing of existing companies and other such structures; to make this possible, they need to be subjected to expert examination and reorganization by the antimonopoly committee. The wages paid to the chief executives of these formations must be changed and made dependent on received profit, while their rights and responsibilities must be clearly defined and worded. The functions of watchdog councils must be made more specific, their responsibility must be intensified, and their membership must be strengthened.

- 16. Beginning this year we need to openly state and solve the problem of providing state support on a wide scale to the private sector of the economy and to the active formation of a class of domestic entrepreneurs.

Only such a class can modernize the country in the strategic directions it and society requires, because it would hold the problems of economics, ecology, and safety close to heart. Being patriots of their country, entrepreneurs would be the ones capable of providing for the spiritual rebirth of ethnic groups residing in the country and placing the nonproductive sectors on a new technological basis.

Displaying far-sightedness, the government must not be embarrassed to provide direct and open protectionist support to this effective sector of the economy. The power of domestic private capital is still low, and it must have support and priority access to privatization and must be protected in the banking sphere and in production. The government is obligated to account for and affirm the interests of domestic entrepreneurs in its domestic and foreign economic policy and help create a real competitor to the state sector of the economy. But this will require clear determination of the directions of priority support to productive entrepreneurship and unfailing support of it.

Effective protection of the rights of private ownership by the state must become the main element of state policy. For the moment, power structures continue to stand guard over "socialist" ownership, doing nothing to participate in the protection of private ownership, while sometimes even attacking it themselves. The courts are also one-sided, and not in favor of the new property owners. These are the psychology and mentality of the old regime. We must rid ourselves of them immediately and introduce the necessary amendments into legislation during judicial reform.

The principal measures of intensive formation of an entrepreneurial class are foreseen in a state program to support and develop entrepreneurship, approved by the president of Kazakhstan.

- 17. Market relations must be deepened and policy concerning price liberalization and commodity markets must be improved further. The mechanism of indirect state regulation of these markets needs to be worked out. In this case the possibilities and levers of regulating the prices of products vitally important to the population must be preserved through the entire transitional period.

We need to begin the final repeal of the system of state and oblast orders and purchases for state needs and replace it by state purchases under which the state acts as an equal and nonthreatening subject in the marketplace.

The government must submit the corresponding bill to the Supreme Council for approval, and concurrently prepare a system of measures and mechanisms by which to achieve this goal.

The matter of the prices of agricultural products, chiefly grain, must be dealt with conclusively. All the different kinds of preferential loans and preferential rates for fuel, continual deferments of payments on bank loans, inflated social benefits, the unique system of deductions from cost, and other factors have distorted the outlays on grain production beyond recognition. Also, compulsory state orders, which impose the purchase prices, and the monopoly enjoyed by the former Kazakhlehoprodukt [not further identified] on agricultural processing, and the numerous intermediate bodies have conclusively undermined the objective mechanism by which the producers themselves and middlemen make their profits.

The government must shift to a universally accepted system of trade in grain, cautiously but without delay. I am referring to a transition to selling a significant part of the grain of a future harvest through commodity exchanges. This system, which has been tested through world experience, not only corresponds to the seasonal nature of agricultural production but also does away with the painful issues of prepayment, which are resolved today with credit obtained at what is in this case usurious interest.

Prices on other agricultural products are distorted as well. This indicates that the agro-industrial complex, which represents up to 40 percent of the country's economic potential, is the least reformed as of this date, and that it requires special attention on the part of legislative and executive bodies.

The monopolies that have established themselves in the gap between the countryside and the consumer present a special danger. We can no longer condone a situation where on a republic average, the prices paid by the population for meat, milk, and eggs are five to seven times higher than the original purchase prices.

An environment of stiff competition must be created in this area, and the forces of the private sector and commodity exchange network must be brought into play.

The government is obligated to dismantle all of the barricades and obstructions along this path before the new agricultural year and prepare all the necessary legislative and normative base as early as the beginning of winter.

Another strategic market of the country—the petroleum and petroleum products market—also remains deformed. It is severely distorted by

defaults within and outside the country, by discrimination against Kazakhstan in trade with other countries, and by the absence of trade alternatives, because developed and convenient transportation routes do not exist. The system of excises and taxes on oil and petroleum products and the difference between the prices of "our" and "their" oil has a distorting influence.

Lack of coordination and parallelism in the area of prospecting for, extracting, and exporting these products, which represent the country's principal wealth, also have numerous negative effects. Therefore it would be suitable to create a separate ministry for this sector, and eliminate all the presently operating structures, including prospecting enterprises. Taxation of petroleum products must be fundamentally reviewed.

The president intends to submit a bill on petroleum and petroleum operations to the parliament for its examination by way of legislative initiative. The corresponding section must be foreseen in the future tax code.

When it comes to freedom of price-setting and competition in the foreign market, the existing foreign trade regime must be subjected to serious review.

We need to work out a sensible system of issuing quotas and licenses in relation to export products that would be in keeping with the needs of the economy's normal development. In this case we should clearly and unambiguously determine the subjects to which the state is to delegate this right.

The rights of oblasts to issue licenses must be rescinded, as should the cozy conditions set up for local monopolies. State foreign trade companies must be separated from the Ministry of Foreign Economic Relations, and their rights to monopoly trade must be rescinded.

This year we will need to shift in stages to the sale of all licenses and quotas by auction. This will make it possible for part of the proceeds to enter the state treasury, and will make access to licenses and quotas open to all enterprises of any forms of ownership, and competitive. The first steps in this direction have already been taken, and we need to go farther. We must seriously analyze the system of export taxation with the purpose of improving and stimulating development of sectors and production operations concentrating on exports.

All these steps must be reinforced by refinements and corrections in currently effective legislation.

The time has come to subject antimonopoly regulation of prices to conceptual review. We need to move from the existing practice under which monopolistic enterprises coordinate prices to a

mechanism under which use of prices which are inflated by monopolistic practices in order to obtain superprofits is kept under scrutiny. In addition, the concept itself of oblast markets must be eliminated, and the Antimonopoly Committee should be concentrated at the republic level. The results of its work must be improved, and it should concern itself more with breaking up existing monopolies and with the problems of rescinding antimonopoly rights granted by the administration and protecting the rights of consumers.

A new edition of the antimonopoly law is required, one oriented on forming and creating mechanisms of conscientious competition, eliminating all kinds of preferences, restricting and stopping monopolistic practices, and defending the rights of consumers.

18. A shortage of personnel knowing how to think in terms of the market and understanding the processes occurring today in Kazakhstan and the world economy remains a major factor holding back the rate and depth of transformations.

Not only the success of economic reform but also the future of our country depends on young people, their level of education and scientific and general culture. This is why competitions will be held annually to select students (up to 3,000 VUZ graduates) for further study abroad under presidential scholarships. A system of guarantees under which students would apply in Kazakhstan the knowledge they acquire must be developed in this case. We need a state policy promoting the formation of an elite that would take on the task of society's economic, spiritual, and intellectual development in the future and which would become the country's leadership.

The government is obligated to organize a well-conceived, effective system for training and selecting the talented and most capable young people—the intellectual foundation of the country in the future century—for these purposes. This work must be clearly organized and coordinated with the help of all forces of society, the nonstate sector, and domestic entrepreneurs.

19. The fight against crime and corruption remains on the list of the state's central tasks.

When they occur on a large scale, crime and corruption make it practically impossible to manage either the state or the economy and serve as a potential source of the danger of social and interethnic conflict. In these conditions it would be unrealistic to discuss implementation of any kind of economic policy. Gathering strength in the time of economic and social crisis, and a time of temporary weakening of the state's positions, crime is having a strong negative influence on the

operation of the marketplace, are undermining the freedom of trade and entrepreneurial activity, distorting prices, and hindering the adoption of effective decisions.

The fight against these phenomena is being waged in accordance with program documents approved by the president of the Republic of Kazakhstan: the 17 March 1992 edict "On Measures To Intensify the Fight Against Organized Forms of Crime and Corruption," the 4 December 1992 decree "On Raising the Responsibility of Officials of Bodies of State Management," and a special program to fight crime. The steps being taken have made it possible to eliminate the most odious manifestations of corruption, to draw a clear line between civil service and entrepreneurship, to intensify the offensive being waged against organized criminal formations, and in general to stabilize the crime situation. These measures are understood and supported by the population.

But the work being done has not yet led to a fundamental turning point in the fight against crime and the fight to eliminate corruption; it has not yet brought final tranquillity to society, government structures, and the president.

The accumulated experience has confirmed the correctness of the thesis that we need to fight not the consequences but the causes. The objective causes of corruption and its economic foundations can be found wherever distributional and permissive procedures continue to operate in the performance of any kind of activities. In this connection any liberalization of activity in this sphere concurrently means reduction of the level of corruption, and elimination of its economic foundations. To intensify the fight against crime further, in addition to raising the effectiveness of the work of law enforcement agencies, we need to deeply reform the judicial system in the direction of raising the effectiveness of the activity of the courts, improve the legislative base, and reconcile it with the requirements of the current situation.

20. For practical purposes the sum total of the measures presented above dictate the establishment of a new budgetary policy.

On the income side of the budget, this policy foresees not a fiscal increase in taxes but their simplification and the growth of their stimulatory role.

The total proportion of taxes and fees collected from legal entities must be reduced to a level not exceeding 40-45 percent of their profit. In this case all deductions from product cost must be made more sensible and reduced to a minimum and subsequently liquidated altogether, and indirect taxes need to be reviewed and regulated. Profit tax, rent payments, and indirect taxation

must assume the central place. The list and permissible limits of local taxes and fees must be documented legislatively, and for the long haul at that.

These measures will make it possible for a greater part of the enterprises of the private sector to "come out of the shadows," and they will invigorate business activity and accelerate development of enterprises of all forms of ownership. After a certain period of decrease, they will bring about growth of transfers into the state treasury. In order to stimulate business activity we need to foresee a reduction in the scale of taxes paid by individuals, limiting them to 40 percent, having in mind that the "freed" money would be channeled into reinvestments, the securities market, and housing.

In order to achieve full collection of taxes, liability for nonpayment of taxes must be increased. The main responsibility of collecting taxes should be imposed on local administrations, and to make them interested in performing this function we need to establish long-term standards of transfers into local budgets from republic-wide taxes.

All these changes must be reflected in the draft of the new tax code, which is to be submitted to parliament this year.

Pursuit of the adjusted course of economic policy will require significant growth of budget expenditures.

Besides the additional outlays listed earlier, we will need sizable resources to finance support to the private sector and to create a market infrastructure of a civilized level. Money may also have to be spent to cover the deficit in the pension fund.

The government must seek out loans necessary to finance the budget deficit from noninflationary sources. It should make wide use of its right of collateral for this purpose. But it must also be given the right to suspend financing of any supplementary program if the needed resources are not found, and to recall appropriated financial resources in the event of their ineffective use.

We have traveled a long and difficult path on the road to reform. But there is still much to do in order to create an effective economy. We have many more deprivations to suffer. Bridges have been burned, and the transformations have become irreversible. Marching in place and indecisiveness will exact a high political and social price. There is only one thing to do—move forward, force the reforms, and conduct them more dynamically and integrally. We understand today that reform of the economy and its recovery and stabilization are not opposites.

The sole path to the economy's recovery is through reform, through deepening the reforms.

An improved situation is not beyond reach, but it will not come into being on its own. We will have to carry out painful operations and procedures on the road to recovery—they simply cannot be postponed or ignored. The present state of the economy requires immediate actions that are in keeping with the presently evolved and changing situation.

We need strength of political will, unity of action, and coordinated work on the part of all branches of power.

The Supreme Council, this time as a permanently operating parliament, must fulfill its clearly outlined tasks and functions, the specific orientation of which is to qualitatively improve the entire legislative base of the institutional, economic, and social transformations presently under way, reform of the judicial system, and organization and significant improvement of the lawmaking process itself. The contradictions in currently effective legislation must be eliminated, and the unjustifiably general nature of some laws and the unnecessary "instructive and methodological" detail of other norms must be eliminated. We need timely, civilized, and constructive discussion of all bills, which must undergo meticulous and comprehensive legal, economic, criminological, and other forms of expert examination.

As the official representative of the people, the parliament is obligated to fine tune an effective mechanism by which to reflect and defend their interests through legislative activity and, to a greater degree, through a thoughtful and flexible system of supervision over execution of laws. The procedures of examining applications and petitions of citizens to various state bodies must be legislatively regulated. Capitalizing on omissions in currently effective legislation, in many cases all these bodies do is respond with form letters. This is especially true of local bodies of power. In this connection the time has come to adopt a special law on the procedure of examining petitions, complaints, and applications of citizens in and out of court.

Relief of social tension and establishment of social stability is the most important indicator of the work of the parliament, inasmuch as preservation of tranquillity and peace is in the fundamental interest of the people.

Following the canons of recognized world practice, in order to raise the effectiveness of jurisprudence and the professionalism and specialization of the courts we need to subject the entire court system to reform this year. The courts must be strengthened organizationally, and in order to

create a strong and competent judicial power we must reject the practice of dividing courts into general and arbitration courts. The principle of nonremovability of judges and appointment of judges by the head of state on the basis of recommendations from the Supreme Judicial Council must be documented legislatively in order to guarantee real independence of judges in their administration of justice. Clear legislative grounds for and the mechanism of releasing officials from their positions when they are incapable of administering justice and when they commit acts incompatible with the high status of a judge need to be developed. Reform of the judicial system must be reflected not only in the rules of the Constitution but also in current legislation. This means adopting new laws on the judicial system and on the status of courts and judges.

Serious and fundamental changes are required in the status of procuracy agencies. The current Constitution did not resolve the issue of the legal status and nature of the procuracy. As a result the latter is in a sense suspended between the branches of state power and is exhibiting a tendency to transform into a "fourth estate," which is incompatible with both the principle of division of power in a presidential republic and the principles of a law-abiding state. The proposed change in the status of the procuracy calls for intensifying the influence of the head of state on the procuracy, which will serve to strengthen lawfulness in the country. Endowing the president with the powers to decide the most important personnel and structural issues in the procuracy system, which then becomes a body responsible to the head of state, is seen as a logical step in this context.

The time has come to take decisive actions in the economy, which obligates us to accelerate the work of all bodies of state power. Primarily the government, including by introducing into the government new, competent people capable of independent and contemporary thinking, who simultaneously know not only how to generate ideas but also how to do the detail work systematically and scrupulously.

A government pursuing a new course must be formed for these purposes. Qualitative change in the situation is making it necessary to look at the principles and mechanisms of the government's formation and its interaction with the president in a new way.

In the initial stage of the reforms, when it was necessary to carry out highly complex and totally new tasks—to assimilate new functions of state management midstream, and to overcome the psychology of obedient repetition of commands from Moscow, in order to find its place and rise to its level the government initially "sought cover"

beneath the authority of the president, working with him in unity, sharing in the successes and the larger number of failures.

However, such tandem work subsequently began breaking down. Moreover, the president tended more and more toward direct execution and micromanagement of the economy. Under these conditions he unwittingly assumed responsibility for many of the actions of the government, and could not objectively and soberly evaluate its work. The danger of losing the guarantees of social protection of the population arose.

It is time to put an end to this. The situation and all bodies of power have matured enough that each person could work independently on his own segment of the common path of movement toward the single goal.

The first step in this direction has already been made. The president has assumed the responsibility of fulfilling the full volume of functions as guarantor of the Constitution, head of state, and in this aspect, the client, in society's name, for development of a program of tactical measures and actions to surmount the crisis, stabilize the economy, and continually deepen the reforms. The principal parameters of the new program, which is a unique sort of political order, are spelled out in the president's message to parliament.

From this moment on, the government must form under a different, team principle. Formation of its economic block will be entrusted to whoever submits a program that would achieve the goals presented above, and demonstrates that this program is realistic, fulfillable, consistent with the posed tasks, and effective.

Today's government and the heads of the oblast administrations do not represent a unified team, despite the fact that the nominations were made by the prime minister. The Cabinet of Ministers is doing one thing, while the oblast is doing something else, and the possibilities of influencing them by the government are constitutionally limited. The government itself has broken down into several blocks in view of its particular organization and the individual rather than the team principle of selecting cabinet members. Differences are clearly evident between the macroeconomic, foreign economic, social, and sector blocks. Nor is there any unity within the economic block itself. In this case the perpetual disagreements concerning the problems that arise are not the worst of its manifestations. In a number of areas they have already gone as far as openly expressed enmity and confrontation between members of what seemed to have been a single team. The mechanism of the team principle of forming the government is such that the prime

minister selects a team of like-minded individuals, desirably in the initial stage of the government's formation, and submits a program of forthcoming actions to the president.

If it is approved, this team becomes the Cabinet of Ministers, which is then responsible for implementing its own idea.

Under presidential directive, the government and all interested circles of the scientific community, political forces, and business circles are finalizing the program of measures to deepen the reforms and surmount the economic crisis. This program is a logical development, expansion, and supplement of the anticrisis program developed in March of last year, and the government will soon present its proposals to the deputies for examination.

If the parliament agrees with the course spelled out by the president, the president will be ready to confirm the program corresponding to this course. The Cabinet of Ministers must confirm, both as a body and individually, that it will implement it. Its members must in a sense take an oath of faithfulness to the course of the reforms before the president and prime minister, and pledge to unconditionally support the program and work together to implement it.

We need to proceed similarly with the heads of the oblasts, and grant the government broader rights to participate in their appointment and dismissal from office.

In order to heighten the government's responsibility before the people, the president, and parliament, and to permit supervision of the activity of executive power, the presidential administration was separated from that of the Cabinet of Ministers. The heads of state are being distanced both from the government and from having to examine routine issues. Concentrating my attention on fulfilling my functions as guarantor of the Constitution, I will direct my efforts at consolidating all of society to preserve political stability in Kazakhstan.

It was for these purposes in particular that the circle of legislative presidential initiatives was widened. This year I intend to submit around 20 bills to the Supreme Council for examination, to include six new codes, and a large number of highly important laws on problems of constitutional and judicial reform.

President of the Republic of Kazakhstan
N. Nazarbayev

Almaty, 9 June 1994

Deputies' Reaction to Nazarbayev Program

*944K1535A Almaty PANORAMA in Russian
No 24, 18 Jun 94 p 2*

[Article by Nikolay Drozd: "Parliamentarians Respond Critically to the Anticrisis Efforts of the Government"]

[Text] The Progress deputy group and the parliamentary committee on economic reform organized a seminar devoted to a discussion of several aspects of the government's anticrisis program and the elaboration of an alternative. The seminar took place literally just before the submission to parliament of the draft state budget for this financial year, and it was in essence the reaction of a group of Progress deputies to accusations by the executive branch of populism and the lack of constructive proposals, which recently have become rather widespread. The deputies tried to show that intrigue and criticality with respect to the government were alien to them, to which, really, the discussion was devoted, becoming somewhat pseudo-scientific as a consequence of this.

The main target of the parliamentarians in fact was the monetarist approaches of the government. Aleksandr Peregrin, who presented some general approaches, characterized the Kazakh economy "as undoubtedly in turmoil"; that is, surrendering feebly to natural market regulation, to which the laws that define monetarist teaching are practically not applicable. Two basic factors were the reason for this, according to Peregrin's estimate: The sharp predominance of Group A commodities over Group B commodities and the small share of wages in the cost of the end product—officially up to 25 percent (really significantly less), which makes the possibility of using the savings of the population in the extension of credit exceedingly small, and also substantially limits effective demand. The lack of circulating funds in practically all of Kazakhstan enterprises became the chief ailment of today's domestic industry as a result not only of a foolish tax policy, but also of the auction sale of credits, which, according to Peregrin, promotes inflation to a much greater degree than inflationary injections. Excessively high credits, which form part of the cost of production, lead both to a permanent increase in inflation and to a drop in the competitiveness of local commodities on foreign markets. In the words of the participants of the seminar, to take credits to supplement circulating funds is an absolutely impossible thing in any normal economy.

Dwelling in more detail on the monetarist plans of the government, members of the Progress group expressed the conviction that similar methods under the specific conditions of the economy of Kazakhstan will hardly be able to fulfill the main purpose of such a policy—to reduce inflation properly. Moreover, inflation, it seems, is perceived by government officials as an inevitability, and the Cabinet of Ministers, as a structure that is obliged mainly to ensure a continuous level of inflation

The deputies talked persistently about the dangers of deflation, which in many countries had the same destructive consequences. As if not foreseen by anyone, a determination was made of the scales of nonpayments that would actually lead to a paralysis of the economy. Part of them, in the opinion of Deputies Vitaliy Roze and Aleksandr Peregrin, are really associated with a deliberate increase in prices and unsold products. But to a significant degree, nonpayments, in the opinion of the parliamentarians, are associated with a "contraction of the money supply" and an insufficient emission.

Having characterized the efforts of the government as not systemic and erroneous, the deputies enumerated the main negative trends in its work: An artificial restriction of consumption, inadequate extensions of credit for investment projects, the predominance of the production of commodities of Group A over Group B, which is expressed in the intensive financing of the basic branches of the economy, the lack of clear priorities in industrial policy, the tax confiscation of hard currency resources from Kazakh exporters, and an unfair customs policy that stifled our own producer.

Some possible economic solutions were proposed at the seminar. In particular, it was proposed to immediately index circulating funds, to establish tough state control over enterprises that remained under state ownership, and to increase social payments and wages; moreover, with permanent indexation, and not in the form of one-time payments. It is also proposed to define the limited range of economic priorities of the government, among which agriculture should be singled out. Also necessary is the creation of favorable conditions for hard currency producers, the introduction of adjustments in the process of privatization with the purpose of accelerating the emergence of effective owners, and a protectionist policy with respect to our own producers. The deputies demanded that the economy be shielded against "unjust bankruptcy," the reasons for which lie far beyond the boundaries of enterprises.

Olzhas Suleymenov spoke at the seminar. He fully supported the Progress deputy group, indicating the similarity of the discussion at the seminar with the situation that developed in Russia shortly after the resignation of Gorbachev's government, when the deputies, and together with them the population as well, analyzed what is called monetarism. Mr. Suleymenov severely criticized the new monetary approaches of the executive authorities, calling them obsolete and not bringing results anywhere. He also noted that the inflationary restraint being practiced now in the republic is not being employed anywhere. For example, inflation in Russia is being held back by limitations on wages. What was occurring in Kazakhstan's economy was defined by Olzhas Suleymenov as "intentional sabotage, when officialdom tries to retain both power and property."

After touching on privatization, Mr. Suleymenov explained its failure by the fact that it is being conducted by people with the previous socialist mentality who are clearly defending obviously leveling tendencies. He called what is occurring in Kazakhstan a bugaboo, and privatization for the sake of privatization, a recurrence of neo-Bolshevism. He cited as a positive example the conduct of privatization in East Germany, which promoted, on the one hand, the emergence of effective owners and, on the other, the preservation of jobs for a definite period of time.

Grigoriy Marchenko, the deputy chairman of the National Bank, spoke as an opponent of the progressists. He did not agree with the thesis about the need to contract the money supply or with the tough financial policy that was being conducted thus far. He also doubted the potentialities of a necessary structural restructuring under conditions of three-digit inflation. At the same time, he expressed an interest in some ideas set forth at the seminar, and he agreed that our economy "will still need state levers for a long time."

Ministers, Oblast Heads Appointed

944K15234. Almaty KAZAKHISTANSKAYA PRAVDA
in Russian 18 Jun 94 p 1

[KAZTAG report]

[Text]

Edict of the President of the Republic of Kazakhstan

On the Appointment of B.V. Tutenov as Minister of the Population of the Republic of Kazakhstan

Baykarim Vilyamovich Tutenov shall be appointed minister of social protection of the population of the Republic of Kazakhstan.

[Signed] Republic of Kazakhstan President N. Nazarbayev
Almaty, 17 June 1994

Baykarim Vilyamovich Tutenov

Born in 1958 in the city of Alma-Ata, Kazakhstan. Graduated Alma-Ata [Almaty] Institute of the National Economy. Economist. Began career after graduation from summer school as a pilot of the Chimkent Air Squadron. Served in organs of the republic Ministry of Internal Affairs. From December 1983 through June 1991 worked as an economist, department chief, and chief economist in the Alma-Ata Oblast financial department and the Ministry of Finance of the Kazakh SSR. Was deputy department chief of the apparatus of the republic president and Cabinet of Ministers. Since May 1993, first deputy minister for social security-chairman of the board of the pension fund of Kazakhstan.

Edict of the President of the Republic of Kazakhstan

On the appointment of V.V. Kostyuchenko as minister of industry and trade of the Republic of Kazakhstan

Vyacheslav Vasilyevich Kostyuchenko shall be appointed minister of industry and trade of the Republic of Kazakhstan.

[Signed] Republic of Kazakhstan President N. Nazarbayev

Almaty, 17 June 1994

Vyacheslav Vasilyevich Kostyuchenko

Born in 1938 at the Ayaguz Station in Semipalatinsk Oblast, Russian. Graduated Kazakh Mining-Metallurgical Institute. Candidate of technical sciences.

Began career after graduation from the institute in 1960 as a face worker in the mine of the Dzhevkazganskoye Mining Administration. Worked for 28 years in various engineering and management positions at the mining and metallurgical combine. Subsequently was first deputy director of the Kazakh Republic Kazmetall association of interbranch business cooperation and its executive director. Since July 1991 has been the republic's first deputy minister of foreign economic relations.

Edict of the President of the Republic of Kazakhstan

On the Appointment of R.R. Cherdabayev as minister of the petroleum and gas industry of the Republic of Kazakhstan

Ravil Tazhigariyevich Cherdabayev shall be appointed minister of the petroleum and gas industry of the Republic of Kazakhstan.

[Signed] Republic of Kazakhstan President N. Nazarbayev

Almaty, 17 June 1994

Ravil Tazhigariyevich Cherdabayev

Born in 1940 in the village of Dossor in Makatskiy Rayon in Gur'yev Oblast, Kazakh. Graduated Moscow Institute of the Petrochemical and Gas Industry. Candidate of economic sciences.

Began his career as a fitter at the Embanefit Combine in Gur'yev Oblast. After graduation from institute worked as a designer and tractor shop chief and chief of the automotive repair plant of this same combine. Elected deputy chairman of the Gur'yev Oblast Executive Committee. Was first deputy chief of the Atyrau Oblast administration and deputy general director of the Tengizneftegaz Association. Since March 1993 has been director of the Tengizshevroil joint venture.

Edict of the President of the Republic of Kazakhstan

On the Appointment of Yu.I. Lavrinenko as chief of the Vostochno-Kazakhstan Oblast Administration

[Signed] Republic of Kazakhstan President N. Nazarbayev
Almaty, 17 June 1994

Yuriy Ivanovich Lavrinenko

Born in 1945 in Vishnevskiy Rayon of Tselinograd Oblast. Graduated Leningrad Institute of Rail Transportation and the Academy of Social Sciences under the CPSU Central Committee.

After graduation from the institute, worked in rail transportation of Kazakhstan in various engineering and management positions, was in party work. Since 1989—chief of the Alma-Ata division of the railroad, and since 1992—first deputy chief of the Pavlodar Oblast Administration.

Edict of the President of the Republic of Kazakhstan

On the Appointment of G.B. Zakiyanov as Chief of the Semipalatinsk Oblast Administration

Galymzhan Badylzhanovich Zhakiyanov shall be appointed chief of the Semipalatinsk Oblast Administration.

[Signed] Republic of Kazakhstan President N. Nazarbayev
Almaty, 17 June 1994

Galymzhan Badylzhanovich Zhakiyanov

Born 1963 in the village of Kuygan in Kurchumskiy Rayon in Vostochno-Kazakhstan Oblast. Graduated Moscow Higher Technical School imeni Bauman.

Began his career in 1986 as foreman at the Semipalatinsk machine-building plant. Worked in Komsomol organs and as director of the Toman commercial firm in Semipalatinsk. Since 1992 has been general director of the Semey financial industrial group.

Edict of the President of the Republic of Kazakhstan

On the Appointment of A.G. Salamatın as chief of the Zhezkazgan Oblast Administration

Albert Gergardovich Salamatın shall be appointed chief of the Zhezkazgan Oblast Administration, having been relieved of duty as minister of industry of the Republic of Kazakhstan.

[Signed] Republic of Kazakhstan President N. Nazarbayev
Almaty, 17 June 1994

Chronicle

By an edict of the president of the Republic of Kazakhstan, Grigoriy Petrovich Yurchenko has been relieved of duty as chief of the Zhezkazgan Oblast Administration because of his retirement to a pension.

By an edict of the president of the Republic of Kazakhstan, Amangeldy Imanakyshevich Bektemyasov has been relieved of duty as chief of the Vostochno-Kazakhstan Oblast administration because of his transfer to a different job.

By an edict of the president of the Republic of Kazakhstan, Oktybr Ivanovich Zheltikov has been relieved of duty as minister of trade because of the reorganization of this ministry.

By an edict of the president of the Republic of Kazakhstan, Zaure Zhusupovna Kadyrova has been relieved of duty as minister of social protection of the population because of her resignation.

By an edict of the president of the Republic of Kazakhstan, Vyacheslav Fedorovich Chernov has been relieved of duty as chief of the Semipalatinsk Oblast Administration because of transfer to another job.

Military-Industrial Complex Course Charted

944K15221 Almaty KAZAKHISTANSKAYA PRAVDA
in Russian 18 Jun 94 p 1

[KazTAG report: "A Planned Basis and Dynamism for the Development of the Defense Complex"]

[Text] A session of the Security Council was held on 16 June under the chairmanship of President Nursultan Nazarbayev. The questions "Status of the Provision of the Armed Forces of the Republic of Kazakhstan With Equipment and Arms and Their Supply With Material and Technical Resources" and "Concepts of the Formation and Execution of Long-Term Defense Programs and the Development of the Defense Complex of the Republic of Kazakhstan" were considered. Reports were presented by General of the Army Sagadat Nurmagambetov, minister of defense, and Mars Urkumbayev, minister of economics.

Considering the difficult economic situation that has taken shape in the country, it was observed at the session, the Ministry of Defense and the corresponding departments are doing much to provide the troops with everything necessary and are using the allocated funds in extremely economical fashion. The arms and the pool of combat equipment of the units and combined units are being replenished mainly from the Russian Federation and Ukraine, in accordance with a number of agreements signed at chief of state level. But in practice the solution of these questions is attended by great difficulties. And it is necessary for overcoming them, a number of speakers believe, to exclude the services of middlemen, who are concerned primarily for their own profits, and to create an interstate conciliation commission for reciprocal military supplies within the framework of the CIS.

There was a detailed analysis also of the degree of provision of all branches and arms of the service with equipment and arms, fuel and lubricants, clothing and

related gear, and food. Together with the positive aspects, there are many problems here also. Specifically, a particular quantity of the equipment of the radiotechnical troops, whose service life will expire in the very near future, of certain units of the air defense of major cities and industrial facilities is in need of replacement. There needs to be an improvement in the provision of the aviation units with fuel for the pilots to be afforded an opportunity to complete the prescribed minimum number of flight hours logged to maintain and [word illegible] their professional expertise.

Of the armies of the Commonwealth countries, the men of Kazakhstan are the best supplied with food. But this is far from being the case when it comes to clothing and related gear. This applies particularly to the officer corps. In order to rectify matters, it is necessary, it was said at the session, to change the production structure or create in the republic our own enterprises for sewing military uniforms and making load-carrying harnesses and field gear. And when it comes to providing the troops with everything necessary, it is important to exercise stricter supervision of the fulfillment of the government defense order.

As the minister of defense reported, despite the objective difficulties, the Armed Forces are capable as of this time of tackling the assignments pertaining to assurance of the security of our state.

Mars Urkumbayev considers it necessary to cooperate more actively in the solution of defense questions with countries of the CIS and the far abroad, to alter the production structure of our own industry for military needs, and to assure the precise work of the operating defense enterprises manufacturing the product necessary for the normal activity of the republic's army.

The exchange of opinions was summed up by Nursultan Nazarbayev. We must clearly make up our minds as to what kind of army and in what numbers we need, he said. We need to solve immediately all questions connected with supplies to the Armed Forces and to reduce as much as possible imports of military products from outside and, as far as possible, make them ourselves.

The head of state set the task of the creation within a week of a military industry commission. Its chairman will be directly responsible for the state of affairs in this important sector providing for the sure defense capability of our sovereign state.

In its decision the Security Council approved the concept of the formation and execution of long-term defense programs and the development of the defense complex. It also confirmed certain changes in its composition. Specifically, Bulat Bayekenov was appointed secretary of the council.

Abish Kekilbayev, chairman of the Supreme Council, First Deputy Prime Minister Akezhan Kazhegeldin, deputy prime ministers Galym Abilsaitov and Asygal Zhabagin, leaders of a number of ministries and departments, and senior officials of the staff of the president and the Cabinet of Ministers took part in the session.

Officials Note Security Committee Birthday

944K15201 *Almaty KAZAKHSTANSKAYA PRAVDA*
in Russian 18 Jun 94 p 1

[Article by KAZAKHSTANSKAYA PRAVDA correspondent Zhanna Oyshibayeva: "20 June Is the Birthday of the Committee for National Security"]

[Text] Everything has changed over the past few years. People working in various organizations have stopped celebrating various professional holidays. Other memorial dates have appeared on the calendar, however, with the establishment of sovereign Kazakhstan. Not too many among Kazakhstan's inhabitants know that 20 June 1992 is the birthday of the Republic of Kazakhstan's Committee for National Security [KNB] and that on that day KNB staff celebrate their professional holiday. Two years ago, the Supreme Council adopted the law on national security organs, which defined their goals and tasks.

On 17 June 1994, a press conference was held on the occasion of this event. Available to answer journalists' questions were KNB chairman Sat Tokpakbayev, public relations department chief Karabi Mukhanbetkaliyev, and the committee's deputy chairmen Leonid Dagayev and Yuriy Serebryakov.

Sat Tokpakbayev told of extensive organizational work conducted over two years, and of institutions of higher education for cadre training. He noted that ever since the committee was created, its leadership tried to meet more frequently with members of the mass media, because glasnost in the committee's activities guarantees observance of legality. Then the KNB chairman expressed his appreciation to journalists for objective coverage of the committee's work.

It was also noted in the course of the press conference that some of the provisions of the previously adopted law on national security organs need to be changed; that the staff of Kazakh KNB work with their Russian counterparts and provide reciprocal help to each other in the matter of ensuring security of the citizens of the two countries and in combating organized crime.

Government's Economic Policies Scored

944K14801 *Almaty IBV* in Russian 13 Jun 94 p 6

[Interview with Nurbulat Masanov by Vladimir Lidin; place and date not given: "Kazakhstan Today Is Administered by a Government of the Worst Decisions"]

[Text] [begin box] Nurbulat Masanov is 40 years of age. He was born in Karaganda and is a graduate of the Kazakhstan State University History Faculty. He defended his dissertation for the degree of candidate "The Tax Policy of Tsarism in Kazakhstan: Socioeconomic Analysis" in 1980. In the Russian Academy of Sciences Ethnography Institute in 1991 he defended his doctoral dissertation on the subject "Specifics of the Social Development of the Kazakh Nomads in the

Prerevolution Period: Historical and Environmental Aspects of Nomadism." He is currently an acting professor at the Kazakhstan State University. [end box]

The Tenge—Pretty Paper Fluttering Into the Void

[Lidin] Since November we have had a national currency. But there has been no improvement in the situation in the monetary sphere. What lies in store for us?

[Masanov] The national currency is currently doing more harm than good. According to the classical statement of Milton Friedman, the world's top authority on the market economy, money is necessary for facilitating the movement of goods and commodity exchange. As a result of the introduction of the tenge, economic relations have been conclusively ruptured. A wholesale stoppage of production is under way, at a time when the world is moving toward the internationalization of the monetary system. That various states develop in economically asynchronous fashion is another matter. This is why some of them need a national currency, which serves as a medium of commodity exchange at the local level. When there was a common monetary system within the framework of the USSR and the CIS, this was of a far higher level than it is now. The introduction of national currencies is a step backward that is making economic and commercial ties more complicated because there inevitably arises the question of the conversion of the monetary units, their rate fluctuations.

[Lidin] The tenge is "fluctuating" exclusively in a downward direction. Will this trend continue?

[Masanov] Necessarily. All money is merely a measure for the reckoning of the commodities produced in a given country. And no more than that. What is backing the tenge? Even in the comparatively prosperous Soviet times there was always a shortage of goods in Kazakhstan. The republic's economy lacks a self-sufficient level of development. That is, it is in our case virtually impossible to provide for exclusive production engineering cycles for the manufacture of a minimum of consumer goods. The introduction of the tenge will hamper supplies of commodities and components from other states and the development and preservation of business ties, and for this reason the national currency itself is condemned to inflate, lacking both commodity and gold and currency backing. Whence inflation in Kazakhstan in the past six months has been at the 1,200-1,300 percent level. Whereas Russia, Kyrgyzstan, and others have stabilized it at an annual 300-400 percent level.

We need to remember the most important point—Kazakhstan is the heartland, an intracontinental periphery that is reserved unto itself and isolated from the world community. Kazakhstan's survival is possible only in close unity with Russia. It is Kazakhstan, therefore, that will suffer most from the introduction of the tenge and the severance of business ties.

[Lidin] Our gold and currency reserves are currently approaching \$1 billion....

[Masanov] According to my calculations, approximately \$8-\$9 billion are needed to support the tenge. It should be considered also that the level of production in Kazakhstan has as of late, according to official figures, been falling 15-20 percent a year (this decline is in actual fact greater, I believe). The National Bank granted loans of more than R3 trillion last year. That is, the commodity supply declined sharply, while the volume of money grew as if on yeast. While we used the common ruble, however, all expenditure on support for its relative stability was assumed by Russia. This was very much to Kazakhstan's advantage.

[Lidin] But to Russia's disadvantage. We were forced, therefore, into economically premature financial independence.

[Masanov] I do not consider this decision forced. It was a step that had long been in preparation, to which the quality of the notes themselves testifies. It is now known that back in November 1992 the Kazakhstan Government had signed a contract with the British Harrison company and that by April 1993 the requisite quantity of tenge notes had been printed. This was hardly a secret for the leadership of Russia. We had clearly shown our readiness to withdraw at any moment from the ruble zone, although continuing to pay lip service to ardent support for it. Reluctant to risk the "hardness" of its ruble, Russia, understandably, set us quite strict conditions and wished to have certain guarantees. The formalization, for example, in the form of national debt of the new rubles made available to us. Well and good, we could have agreed. When the rich give to the poor, and the poor take, both know full well that the debts will not be paid back, they will be written off. How much do the African and Latin American countries owe the West? The bill runs to trillions of dollars there, these are amounts that are impractical for repayment, this is the fact, the burden, that the developed countries are forced to bear to stabilize the situation on continents as a whole, securing their geopolitical interests.

[Lidin] Nonetheless, as our textbooks write, in order to improve we need first to break off relations and experience all the charms of separate management...

[Masanov] The slump in production, which rules out the stability of our currency, is merely one set of problems. There is also another: the state's financial policy, which should be as prudent and balanced as possible. This means a reduction in spending on the upkeep of the machinery of state, an end to budget infusions into loss-making industries, the strict measuring of the issue of money. But we have had merely the mechanical substitution of some paper notes for others, and financial policy has remained the same as before. The National Bank has fixed a lending rate at more than 400 percent per annum. A level of inflation of at least 900-1,000 percent a year is patently being embedded hereby. After

all, businessmen that have taken out such costly loans have to repay them and pay off all taxes and, in addition, make a profit here. There is just one solution: to raise prices. As a result, all financial problems are being resolved at the expense of the empty purse of the majority of the population. The prices of elementary goods are growing not by the day but by the hour. A narrow stratum of people with superincome, who do not even pay anything serious in the way of taxes: Their main money goes around in the "shadows," is taking shape simultaneously. Throughout the world production costs are reduced, and prices are reduced on this basis, but with us, it is the other way around. Even now in neighboring Russia, with an abundance of merchandise, prices are three to four times lower than with us in absolute terms, and from the viewpoint of purchasing power, even lower.

[Lidin] The republic budget is being replenished primarily thanks to indirect taxes....

[Masanov] Here lies the entire absurdity of the present situation. Receipts from indirect taxes (such as VAT) included in the price of commodities are two or three times higher than the receipts from direct taxes. Throughout the world it is the other way around: Direct taxes are primarily the source of budget receipts. That is, the rich have to pay so that the state can support the poor. With us the entire burden of the economic crisis has been shifted onto the ordinary people.

Who Benefits From Such Privatization?

[Lidin] Everyone is now depositing the investment coupons in investment funds, preparing to obtain from this "tangible dividends" and even "fabulous wealth," perhaps. How do you evaluate the prospects of privatization in Kazakhstan?

[Masanov] There has not been nor is there now any privatization in the sphere of production in Kazakhstan. We are attempting beneath the signboard of privatization to undertake, at best, denationalization.

[Lidin] These are different things?

[Masanov] Of course. Privatization means the transfer of the means of production to private ownership and a reform of property relationships. The task of privatization is to enhance productivity. For this it is necessary to bring the individual's work as close to the sphere of the distribution of dividends as possible. In other words, in obtaining dividends I have a direct interest in the enterprise at which I work showing a greater profit. And as a shareholder and coproprietor, I can obtain profit and participate with my vote in the management of this enterprise. This is the purpose of privatization. The best form of privatization throughout the world, therefore, is held to be the workforce's acquisition of stock. The opposite, however, is happening with us. Between the employee and the results of his labor earlier stood an all-powerful proprietor—the all-redistributing state. Control by the state persists at this time, and extra

superstructures—holding companies, investment funds, and sundry pseudomarket structures—are edging their way in on top of this. For this reason the sphere of distribution is being moved even further away from the individual, and a new stratum of the financial-nomenklatura oligarchy is beginning to live parasitically on the results of his labor.

[Lidin] But privatization may be interpreted in another sense also: as an attempt by the state to divest itself of the insupportable burden of economic responsibility and to shift it onto the new owners.

[Masanov] This is a politically irresponsible approach. Let us go back to the sources. Friedman says that the level of a society's civilized development is determined mainly by productivity. The United States is the world leader because it secures the highest level of productivity. Japan is in second place, its productivity is approximately 70 percent of the American level. How is an increase in productivity to be achieved? There are several ways. First, the modernization of production and the renewal of technology. Second, thanks to an improvement in the organization of labor itself and a reduction in production costs. A third, very efficient, way is privatization. The more there are at an enterprise of proprietors that have a vital interest in the results of their labor and that really participate in the development of production, the higher the productivity. But it should be remembered here that the private owner is always an egotist. His egotism should be curbed, therefore, by a fourth factor—competition. The egotism of some is balanced by the egotism of others. And the greater the sum of these private-ownership egotisms, the more efficient the economic system. At Western private enterprises, therefore, productivity is on average two to three times higher than at publicly owned enterprises. If, on the other hand, the state, under the signboard of privatization, simply jettisons all that it finds unnecessary and superfluous, what is the population to expect of it. It will treat people—retirees, the handicapped, the needy—in the same way. They are all, consequently, a burden that the state does not need. Profits need to be privatized, not losses.

[Lidin] Nonetheless, your opinion concerning the virtual absence of privatization sounds quite odd against the background of the accelerated share-capitalization of many enterprises, public auctions and bidding in the sale of state-owned facilities....

[Masanov] Accelerated "plunderization" is under way in Kazakhstan. Property today is falling into the hands of those who have access to credit resources and who are well received in the state structures distributing raw material export licenses. The ordinary worker is, as before, entirely uninterested in the results of his labor. Therefore, all sums of capital have been concentrated in the "buying and selling" sphere. Whence the slump in production. Simultaneously the government is attempting to maintain control over the enterprises and is adopting cosmetic measures, touching up and altering

the signboards on buildings whose foundations had begun to sway long since. A supporter of such "cosmetic" transformations was Mikhail Gorbachev, and we know full well what happened to him.

'Were Each Bribe To Be Invested in Production...'

[Lidin] This year the Kazakhstan Government has declared a policy of a reduction in the budget deficit and the issue of credit and a curbing of inflation. What will the economic and social consequences be, in your opinion?

[Masanov] Were the government to pursue such a policy, I would welcome it in every way. But it is incapable of this in principle. No credence should be put in empty declarations. The government should be composed of a depoliticized team of manager-professionals. With us, however, the government is a politicized team of bureaucrats that have come from the old nomenklatura.

[Lidin] Nonetheless, the distribution of soft loans has been halted, and hundreds of enterprises are today closing down or are on the verge of doing so.

[Masanov] But this is not structural reorganization, merely phases of the extinction of inefficient state ownership. The government is still attempting here to put the emphasis on state regulation. The pressure of the sectoral lobby on the Cabinet of Ministers is so great that credit will, most likely, be granted, and this is borne out by the example of the spring agricultural work. The state can pursue an objective economic policy only provided that it is an "arbitral judge" between capital and wage labor. It can then balance interests and establish fairer rules of the game. But at this time the state is the main "player"—the owner, holder, and distributor of capital. As a result it is primarily wage labor—the 90 percent of citizens that have no property other than their working hands and their knowledge—that suffers.

[Lidin] But in the West private capital took shape historically. Perhaps under our conditions the accelerated enrichment of the minority via the system of credit and licensing allocation is the way to form capital that is remote from the state?

[Masanov] Were it the case... I have tried to understand the logic of our government and the specific interests from which it is proceeding in its activity—those of the nomenklatura, the state, the economic system, or something else. But the problem is that its decisions are harming everyone. The entire nomenklatura has been made owners, say. But then give them the enterprises as private property. The new proprietors would be forced to lower production costs, renew the technology, and so forth. And the market would subsequently sort everything out. All those who were uncompetitive would be ruined and would disappear from the sphere of business.

[Lidin] This option was proposed three years ago by Larisa Piyasheva: Give the plants to the directors....

[Masanov] I am opposed to such an approach, but even this measure is better than nothing. In any event, the owner—even from the nomenklatura—would load onto himself the entire responsibility for the results of production and would become vitally interested in its upturn. In what are the present directors interested? In shaking loose credit, licenses, and customs privileges from the government. An amorphous mass of government bureaucrats maintains control over the economy. No director of an industrial enterprise feels himself to be a genuine proprietor, objectively his interest lies elsewhere: wresting away from others' property, which he manages, as much as possible for himself and his children in order that it might be possible, should anything happen, to leave his position without any problems and make his way to the near or far abroad.

[Lidin] With the increased property inequality more and more complaints are being heard about the successful entrepreneurs: Our businessmen, who have for 18 months to two years been successfully "turning over" credit, can permit themselves imported goods, country cottages and apartments, and weekends somewhere on Hawaii. How do you view this?

[Masanov] This is connected with the overall economic climate in the country: when it is unprofitable to invest accumulated capital in production. This is why our nouveaux riches are living according to the principle: *après nous, le deluge*. Colossal resources are going into the sphere of consumption. The price of comfortable apartments in a prestigious area of Almaty, say, recently reached \$70,000-\$80,000! This is absurd, you could buy a house in the United States for this money. There is just one reason: The sphere of consumption is overloaded with financial resources, and demand is exceptionally great here. This is not a caprice of the businessmen but an objective consequence of the government's economic policy. In addition, we have no traditions of private-ownership culture and ethics. The majority of our entrepreneurs and government officials does not wonder: What will people say of me in the future? They have grown up under the conditions of historical forgetfulness and are living from day to day. Whence the main stimuli are impunity and a desire to grab as much as possible. Were a government official to take a bribe and invest this money in production, this would economically be the far lesser evil. But this official buys himself a second Mercedes, a third home, and he lacks the brains for anything else.

[Lidin] Many harsh words have been heard in our interview about the government. But it is obvious that reforms cannot be painless and that the interests of the economy sometimes dictate socially risky steps....

[Masanov] I cannot agree that the interests of the economy are self-contained and that the interests of the majority of people working in production are self-contained. The economy should be reformed primarily in the interests of the ordinary citizens. They should participate in the distribution of profit, and

genuine privatization is needed for this. People should be the owners not of the impersonal shares of investment funds but of the property in which they have invested and continue to invest their labor and their ability, knowledge, and talent.

There are two philosophical concepts. One says that each individual knows better than anyone else what he needs and is entitled, therefore, to adopt socially responsible decisions. The other believes that man is stupid and does not himself know what he wants. The best decision, therefore, is made for him by the party, class, nation, and state and, consequently, by the leader of a given community (chief, general secretary, president). I believe that the second concept is totally played out in Kazakhstan. The time has come to transfer EVERYTHING to the people themselves (power, the economy, and so forth). Only on this path will it be possible to build a civil society and a state based on the rule of law and to ensure the inalienable human rights to life, liberty, and happiness. And the sooner we understand this, the more quickly we will deliver ourselves from the shackles of totalitarianism and emerge onto the path of civilized development.

[Lidin] Thank you for the interview.

Yesenberlin on Background in Business

944K1502A Almaty EKSPRESS-K in Russian
17 Jun 94 p 4

[Interview with K.I. Yesenberlin, chairman of the State Committee of Kazakhstan for State Property, by Larisa Chernenko, under the rubric "Politics, Commentary, Economics"; place and date not given: "K. Yesenberlin: 'We Are Taking Part in Building Our Common House'"]

[Text] Kozyrkopesh Ilyasovich YESENBERLIN was born in 1954. He graduated from the Kazakh Polytechnical Institute with specialization in mining operations and is a candidate of technical sciences; he worked at the Kazakh Polytechnical Institute until he opened his enterprise in 1986. Yesenberlin is married and has two children. Until recently, he headed ALEMSYSTEM, the largest corporation in the republic. While this item was being prepared for publication, Kozyrkopesh Ilyasovich was appointed the chairman of the State Committee for State Property. We congratulate him on this appointment and wish him success in his new pursuits.

[Chernenko] Kozyrkopesh Ilyasovich, your father is a man who is well known in our republic. How do you live in the glow of your father's celebrity?

[Yesenberlin] If you mean that my name was a certain factor in opening doors to state officials and getting the green light turned on along the business path, you are mistaken. My father taught me first of all that you must gain everything by your own labor. To me, he has always been, and will remain, a model of diligence and persistence, a model of how one should surmount obstacles and argue his points. Genuine recognition is gained by a

person only as a result of his own painstaking labors. The responsibility associated with our name, with the memory of my father, has always "put pressure" on me. Besides, is it really rare for well-known and prominent fathers to have good-for-nothing sons? No, I did not take the risk just because I was Yesenberlin's son, but also because I am from the Yesenberlin clan. My father is a worthy representative of it. He survived it all and did not break: Stalin's dungeons, betrayal by his friends, and the force of critics writing to order. [Chernenko] How do you, a person who ended up riding the "crest of the wave," feel? Are you nostalgic for the past?

[Yesenberlin] Perhaps, a nostalgia for the past does develop on occasion. However, the olden times will not be brought back. Our society has passed the point of no return. Besides, who knows whether it was better then than it is in our current life. After all, the principle "from each according to his ability, each according to his labors" has now only begun to be implemented. It is another matter that some people are no longer in a position to accomplish themselves; their time is already gone. As far as my life as the leader of a large company is concerned, business takes up all of my time. Business absorbs me. The company is rapidly developing at present, and every hour is dear.

[Chernenko] If you can, tell us how your corporation was created. How much time passed between registration and the creation of the "monster" which now exists?

[Yesenberlin] For now, it is premature to say that ALEMSYSTEM is a monster, although we would like to accomplish this. Monsters are multinational corporations with sales going into a few hundred billion dollars a year. Compared to them, ALEMSYSTEM is still a baby. However, the things we have achieved have been done in the last two years. Our company was not started from scratch. The financial and material basis was created by ALEMBANK and the NPP [expansion not identified] Geosistema.

[Chernenko] A powerful chain of branches of your corporation operates in the republic in diverse fields. As you see it, which field is the most promising, the one where investing money produces the highest returns, and, on the contrary, are there unprofitable fields?

[Yesenberlin] We set for ourselves the goal of developing the complex of construction materials manufacturing. We want a person who is building a house or a dacha to be able to buy everything necessary from us. We are already mass-producing plastic door and window assemblies using Italian production lines. We do not reject domestic equipment, either, if we see that it can serve us still. Incidentally, the woodworking shop turns out very decent products.

I do not want to praise myself for being provident, but we did manage to put a construction facility together at a modern level in time—the concrete plant, repair shops, and warehouse space. The facility takes up eight hectares; by now, the funds invested in its construction have

already been recouped. We did not make the decision to invest our funds in transportation right away. A quick return will not be made in this area. However, I am not just a businessman, I love my city. Meanwhile, the condition of transportation in Almaty is lamentable. We are now providing a full set of services to the population: taxicabs, small-wholesale freight carriage, international carriage, technical service stations, and parking lots. In the long run, we will have gas stations.

As far as the profitability or unprofitability of particular fields is concerned, they are all profitable to some degree. The crucial issue is how quickly profits are made, and this is an issue of management and administration. If you do things right, you will make money; if you work slowly, inflation will "swallow up" all of your proceeds.

[Chernenko] What guides you in life and work: Is it calculations, or do you follow your intuition?

[Yesenberlin] Business is an exact science; as in any exact science, a sober-minded and calculated approach is always necessary. However, unlike mathematics or physics, business is closely tied to society, and in social sciences it is at times difficult to predict the result—this takes intuition. I would call my work a sober calculation imbued with intuition.

[Chernenko] We would be interested to learn about the charitable activities of your company. Who does it help, and why?

[Yesenberlin] We closely cooperate with the Bobek children's charitable foundation in carrying out some of our charitable undertakings through this foundation. In addition, we help the Orthodox and Muslim religious communities of Almaty, orphanages, low-income citizens, and retirees. Why? Because it is horrifying to look at the abrupt and cataclysmic impoverishment of the people, especially old people and those of retirement age. Young and middle-aged people are still capable of adapting to the current conditions, whereas the elder generation cannot manage it anymore. It is horrifying to look at the established, so-called minimum wage, which would not even buy you meat. It is horrifying to look at our children who are increasingly often born sick or crippled. The absence of basic, good-quality foodstuffs and horrible ecological conditions are the reason for that. I am aware of only one way for us to do better—to live together, to work together, and to help each other. It has always been easier together. At the same time, we should fight together for carrying out radical economic reforms as soon as possible. If we do not have a healthy market, there will be no good life either.

[Chernenko] You said that we have horrible ecological conditions. Do you intend to work in this area?

[Yesenberlin] We cannot say that our corporation is considering purely ecological projects at present. However, all our projects and the work associated with production are ecologically safe. We comply with all required sanitary norms. Our entire production is in keeping with world standards.

[Chernenko] I know that at the Kazakh Technical University, you are one of their own. Why did you decide to invest money in the "technical"? After all, these specialties are not particularly popular with young people at present.

[Yesenberlin] Of course, it is very heartbreaking to look at the predicament in which our science finds itself now. The same can be said about culture, education, and medicine. One thing is clear: These spheres of life will stagnate until the economy is cured. Of course, our corporation alone is not in a position to improve the state of affairs even slightly; only together are we in a position to do so.

We have separate sponsorship and charitable programs for culture and science. We send our guys to study and get practical training abroad. The hungry and cold times will not last forever. Times will come when the spiritual priorities of culture and science will return. We would very much like for them to not altogether die by that time. After all, our country is rich in talent, and it would be a great transgression to destroy these buds of light and knowledge.

[Chernenko] Indeed, but the rows of stalls which fill city streets are by and large manned by teachers, physicians, engineers and young guys who have not received an education yet and are forced to engage in this. Would they want to go back after having partaken of easy earnings?

[Yesenberlin] Of course, you are right. However, I think that all of this is temporary. In addition to making money, people also need to work for their souls. Some are likely to find themselves in this business, while some, having survived the crisis, will return to their old occupations but at a different, higher level, because a nation cannot exist in the absence of spiritual values; it will simply die otherwise.

[Chernenko] Kozyrkopesh Ilyasovich, you are very well aware of the situation which has emerged in our country. The cataclysmic inflation of our currency takes away the breath of common people and businessmen alike. As you see it, will we have to suffer for a long time? Are there any prospects for the stabilization of the tenge? A paradoxical situation has emerged here whereby someone else's currency circulates in the territory of the country, while our own currency turns into play money....

[Yesenberlin] This is a complex question. The unbridled inflation and growth of prices are the result of a lack of support for our currency from the money and merchandise supply. We cannot hope for a recovery in the economy until laws are passed which stimulate production in Kazakhstan and until they begin to actually work. For now, our taxes and rates on credit do nothing but smother production, which is the only thing capable of fighting import-oriented commerce, which is the source of price growth. In geopolitical terms, local production is more advantageous for Kazakhstan than imports from abroad.

As far as the tenge is concerned, on the one hand, the introduction of its own currency is a tremendous achievement for any country which wishes to be independent. However, on the other hand, Kazakhstan was apparently not ready to introduce its own currency from the economic point of view. Continuous and stable export production which would sustain the strength of the tenge is needed in order to maintain a high and stable exchange rate of the currency. However, as you know, the economy is going through the most profound crisis, and production is declining. Years-old relations with our neighbors in the Union have been disrupted; the inter-bank interaction among CIS countries is imperfect. A great many reasons can be found for that, and many newspaper articles can be devoted to it. Yet, there is just one way out—to work, work, and work again, work a lot, work diligently, and endure some.

[Chernenko] You are an adviser to the prime minister of Kazakhstan. What are your activities in the government about?

[Yesenberlin] They are about furnishing to the leadership of the country authentic and truthful information on the economic situation in the republic from the point of view of a person who participates directly in carrying out the program for a transition to market conditions as the manager of an organization which feels the effectiveness or burden of particular laws and decrees. Naturally, we do not just provide information and state the facts, but also submit to the government for consideration an analytical study of the situation and our proposals for revising particular decisions.

[Chernenko] That is, you are something like a "test pilot" who launches a plane of a new type. Are you not afraid of "crashing"?

[Yesenberlin] Not quite so, but your analogy is correct in a way. At present, all commercial structures experience firsthand the influence of laws which have been passed. We, the merchants, know better than others how these laws work and apply. Being an adviser to the prime minister, I have an opportunity to make certain corrections and help to somehow perfect the laws and to make the passed laws truly work.

We have created an entire group which analyzes this situation and works out proposals that are later referred to the government.

[Chernenko] What steps are being taken and should be taken to overcome the crisis in the economy?

[Yesenberlin] Good and just laws have been passed here. Our legislation concerning joint ventures is one of the most progressive in the former Soviet republics. However, at times officials interpret laws in a way other than we, the entrepreneurs, do. This is what all the trouble is about.

Here is just one example, perhaps the most glaring one: By law, any foreigner can establish any joint venture. Great! However, he cannot buy an apartment, and the

land is not for sale, either; there are never-ending problems with leasing, too. Tell me, will a major businessman make a long-term investment? Obviously, he will not. Certainly, our reforms could have been more dynamic. In this case, we could have seen their results much sooner, as in Eastern Europe, which is going through similar turning points.

One of the woes is that the people at the helm of state power still do not know from their own experience what it means to own even a small store. They cannot go against themselves and forswear the party habit of giving commands while not being owners.

[Chernenko] However, years will pass before officials are reformed, or a new generation, this time with the experience of ownership, comes to power. Are we to wait still longer? The people want to live well right now.

[Yesenberlin] It is very hard to answer this question. We work precisely in order for our future to be prosperous. What we are going through at present is a temporary phenomenon. It cannot last forever. In principle, the main ways to overcome the crisis are known. There is the experience of the world, of Russia, and of the countries of Eastern Europe. I am convinced that in one year the situation will have already changed for the better: The restructuring of our industry will have been completed and unprofitable enterprises which are a drag on our production will have closed down. The government is now taking steps to stabilize the tenge. If we stop inflation, let us wait a little more and everything will fall into place.

[Chernenko] At present, dozens of enterprises are going under; not only small factories and plants are among them but also the industrial giants which previously proceeded with confidence. The people are not paid wages. For example, miners strike a little and secure the money they have earned, but inflation has already "eaten" it, and everything begins anew.

[Yesenberlin] Your observation is correct: Inflation is the whole point. As far as strikes go, they accomplish nothing. Having yielded, the government accommodates the miners, and hollow money is pumped into the economy. And everything yet again returns to the way it was. The cost of coal goes up, the miners get paid, the power-generating industry cannot buy coal at these prices anymore and raises the cost of electricity accordingly, and so on without an end. At present, the main point is to stop inflation. This is difficult; possibly, things will get even worse than they are. However, if we do not stop inflation, it will simply swallow up our entire economy. There is no doubt that our enterprises are unprofitable. First, they are energy-intensive; their products are not competitive and will soon not be salable even within the CIS. We must fundamentally restructure our industry. This takes time. Restructuring is already under way, to be sure, with a lot of difficulty, because it requires continuous investment and infusions. I believe that it will bear fruit in two to three years.

[Chernenko] Who has better prospects for the future: small enterprises or giants?

[Yesenberlin] Everyone has the right to exist. There is world experience: Medium-sized and small enterprises manufacture 90 percent of all products. They adjust to trends more rapidly. Giants are also needed, especially in sectors such as the mining and steel industries. New technologies are needed for them to operate productively, and this means, once again, tremendous funds. They have already turned up, and restructuring has begun at these enterprises. For example, the Karaganda Metallurgical Combine has been completely restructured. If we manage to stop inflation, our own investors will then appear, and we will be able to support production ourselves, without foreign assistance. Why is industry idle? Because it is not receiving credit. No development is possible given the insane interest rate which is charged.

Let us look, for example, at Russia when it switched to the new ruble in 1992. Their rate of inflation may have been higher than ours is at present. However, they were also the ones to stop inflation by ceasing to extend credit to unprofitable enterprises. They began to take care of the ruble; other CIS countries also came to value it. Russia survived that moment and now manages to extend credit to its industry at tolerable interest rates with its rubles. Unfortunately, we cannot boast this for now.

[Chernenko] Can you briefly characterize the proceedings of the parliament from a businessman's point of view? To what degree is it capable of working?

[Yesenberlin] Currently, it is hard to discuss the ability of the parliament to work; it has merely embarked on its duties. We will judge the results later, together with you.

That in recent days signs of a confrontation between the legislative and executive branches of power have appeared is the only thing that troubles me. The elected parliament plays a large role in this. Confrontation is precisely the thing which at this particular time will affect our future most painfully. Political stability in Kazakhstan is its main trump card. Everything would have been much worse and more difficult in the absence of political stability. We need to keep it. Besides, as I see it, a good team has now assembled in the government which should be allowed to work at least a year instead of wasting its energies on an internecine war.

[Chernenko] Finally, my last question: Do your activities satisfy you, or do you believe that you "shoulder the burden"?

[Yesenberlin] I am happy with my lot. If I did not like what I was doing, I would not be doing it, all the more so because I do manage to accomplish certain things and produce certain results. Producing results is the very best part of all of our lives. Everyone should build a house in his lifetime, and we take part in building our common house. It depends on only you and me whether this house will be nice and comfortable or rickety and unstable.

New Industry in Karaganda Profiled

944K1479A *Almaty VESTNIK KAZAKHSTANA*
in Russian 15 Jun 94 p 1

[Interview with Boris Topol, executive director of TMM joint-stock society, by Valeriy Mogilnikov, the Karaganda Oblast administration's senior assistant for press relations, under the rubric "Fact and Commentary", place and date not given: "TMM Means Business Approach"]

[Text] KARAGANDA—The TMM (Temir Men Mys) joint-stock society has been set up in Karaganda Oblast. For what purpose? This is what Boris Topol, the new enterprise's executive director, told us in response to this question.

"The economic significance of Central Kazakhstan transcends by far the republic's borders. The reason is large mineral deposits. To remind of just a few: the immense store of copper in Zhezkazgan and Kounrad; iron ore in Karazhai, Karagayly; and so on. And recently another enormous copper deposit was discovered in our oblast near Temirtau. These are very rich ores—they have on average a 2 percent copper content, which is considerably higher than in the famous Zhezkazgan copper ore. The reserves of this metal within the boundaries of drilled wells currently are estimated at 2 million tonnes as a minimum.

"Until very recently, we disposed of the underground riches of our land foolishly, selling them to foreign partners literally for pennies. President Nursultan Nazarbayev said many times that instead of selling raw materials, we ought to sell items made of it. To do this, we have to set up processing of mineral resources while simultaneously bringing the salability of finished products to world standards. This was the purpose in setting up the TMM joint-stock society, which will seriously get into organizing large-scale production of steel and copper pipe of various diameters. The home of the new enterprise will be the 18,000-square-meter shop recently built at Kargormash [Karaganda Mining Machinery Plant]. This is where the production of copper welding pipes 5 to 45 millimeters in diameter is to be set up, as well as large-diameter steel pipe—from 100 to 325 mm. They will be produced by state-of-the-art technology offered to us by German company Mannesman. The same company will supply under the corresponding contract the necessary technical equipment.

"A lot of hard currency is needed to purchase modern technological lines and equipment. For instance, the cost of the projected steel pipe production line is \$55 million, and of the copper pipe production line—DM33 million. We have already reached an agreement with Volkscreditbank (Austria) to finance the promising production, which is expected to bring serious hard currency income within the first year of operation.

"The TMM joint-stock society will get a lot of assistance in organizing the business from its founders, first and foremost the Kargormash, Karagandaugol, and

Balkhashmed production associations, the Zhezkazgantsvetmet joint-stock society, and the republic engineering academy. There are no concerns regarding the supply of metal, copper, and iron ore, but we need to learn how to process it into world-class output. I have no doubt that our future production will bring out tremendous interest in the business world."

Zhayrem Mining Privatization Plan Debated

944K1479B *Almaty KAZAKHSTANSKAYA PRAVDA*
in Russian 14 Jun 94 p 1

[Article by KAZAKHSTANSKAYA PRAVDA correspondent Oleg Kim: "Zhayrem: A Special Influence Zone?"]

[Text] The problems surrounding privatization of the Zhayrem Mining and Enrichment Combine [GOK] have reached the point of turning into a twisted knot. KAZAKHSTANSKAYA PRAVDA reported on the first visit to the miners settlement of the representatives of Kazpotrebsoyuz [Kazakh Consumer Union]—the new owner of AO [joint-stock society] Sary-Arka Polymetall. Nevertheless, a score of questions remained unanswered then. To sort out the current situation, three days later representatives of the GOK, Kazpotrebsoyuz, the Zhezkazgan Oblast administration, the Zhayrem-Atasuy Free Economic Zone, and the Ak-Sunkar state holding company met again in Zhayrem. This time they were joined by representatives of the Goskomimushchestvo [State Committee for the Administration of State Property] and the Ministry of Industry of the Republic of Kazakhstan.

The debate in the office of AO Sary-Arka Polymetall president Fazyldzhan Sadvakasov lasted six long hours. In the end, the parties' opinions diverged irreversibly, which was reflected in the signed protocol of the meeting. Each side stuck to its own position.

The Zhayrem GOK's administration, leadership, and engineering and technical personnel believe that the sale of enterprise's shares at the second coupon auction on 17 May was conducted in violation of normative acts. The AO Sary-Arka Polymetall is a mining enterprise with a unique deposit of polymetals, and therefore must be privatized by a custom-designed plan instead of through a coupon auction. Besides, there were violations with respect to the time frame for notification and submission of application for the auction. In the opinion of the Zhayrem representatives, neither the oblast nor the rayon was notified 45 days in advance, as required, that the combine would be put on the auction block. The republic Ministry of Industry and the Ak-Sunkar state holding company, which hold the state block of GOK shares, also remained unaware of this.

These were the two grievances against Goskomimushchestvo around which passions mostly flared up.

Goskomimushchestvo deputy chairman Viktor Novikov attempted to clear up the first issue. He suggested that the gathering look into the AO Sary-Arka Polymetall

charter, registered by the administrative council of Zhayrem-Atasuy Free Economic Zone on 22 December 1993. One of the points in this document specifies the "transfer of 51 percent of joint-stock society's shares at coupon auctions within the framework of mass privatization in exchange for investment funds' coupons." Thus, mass privatization, rather than a custom plan, was already envisaged at that point. Comrades, where were you then?

Still, why was not a large sectoral enterprise included in the "individual" privatization list? This question was answered by B.M. Madiyev, chief of the Goskomimushchestvo administration for privatization by individual design. It turned out that according to the national program, only enterprises with more than 5,000 employees are to be privatized by a custom-designed plan. The Zhayrem combine employs about 3,000. Therefore, only two entities in Zhezkazgan Oblast were proposed for custom privatization last year: Balkhashmed and Zhezkasgantsvetmet.

Besides, this is a very complex and costly undertaking. For instance, in England over 15 years, only 10 entities were sold as individual projects. In this respect, Kazakhstan is unique—the republic undertook to individually privatize 38 enterprises at once this year alone. The republic currently does not have an established service that could do marketing and international market research. Foreign specialists have to be hired for this purpose, who have to be paid substantial fees in foreign currency for their work. The state simply does not have the money to privatize individually every enterprise that wants it. First it has to finish work on such giants as the Pavlodar Tractor Plant or Karmetcombinat.

As to violations regarding the time frame for notification and submission of applications for the auction, Goskomimushchestvo representatives partially admitted their fault—during the last week before the auction, 10 enterprises were replaced on the list of objects to be privatized. However, this information was immediately sent to all territorial state property committees. The evidence of that is not only the copies of telephone messages, but also the fact that by 17 May several dozens of investment funds had submitted applications to purchase AO Sary-Arka Polymetal shares. They were purchased by 13 funds, including the five owned by Kazpotrebsoyuz, which bought the controlling share of stock. Perhaps this item of dispute requires "sorting out" on a local level—why Zhayrem itself found itself locked out of the game.

The Kazpotrebsoyuz position is firm: Investment and privatization funds of the consumer union system participated in the auction along with other funds, and purchased Zhayrem shares legally and on the same terms.

"I am protecting now the interests of 2 million of Kazakhstan's rural residents—people who invested coupons in our funds," said Kazpotrebsoyuz chairman of the board Umirzak Sarsenov. "And even if it so happens that Zhayrem GOK is re-auctioned, we will buy it out—we have enough coupons."

Petr Kolesov, the deputy head of Zhezkazgan Oblast administration, shared his opinion: "Even if there were organizational violations in the Zhayrem combine's privatization, they are not significant enough to bring up the question of revoking the results of the second auction. Nobody will gain today from this confrontation."

And really, what will the labor collective get if the combine is privatized by a custom plan? Nothing above their 10 percent of shares. Perhaps, super-rich foreign investors will come running? Hardly. There already had been an attempt to attract a holding construction company from Turkey, but the offer was politely refused. Perhaps it would be better to invite into a partnership real specialists, professionals from industrially developed countries—the United States, England, Japan, and Germany, announce a tender, and select the best among them—and not for a year or two, but as minimum for a decade.

This is where Kazpotrebsoyuz, with its mighty foreign economic potential and its fine nose for serious lucrative deals, instead of rip-offs, is willing to help. And, what is important, Kazpotrebsoyuz is not dumping the combine's old and new partners—it proposes to search for better ways together. As a proof of their intent, the new co-owner of the mining enterprise is willing immediately to surrender some of its shares to the labor collective. Unfortunately, for some reason they were unable to meet with Zhayrem's rank-and-file workers either on the first or the second trip.

Let us suppose that a repeat auction will be held and dozens of investment funds will purchase the combine's stock. Dozens of small, disparate owners of a large production facility. Will this not become the last day of Zhayrem?

TAJIKISTAN

Effect of Monetary Control on Economy, Unemployment Noted

944K1443A Moscow ROSSIYA in Russian
No 22, 8-14 Jun 94 p 5

[Article by Lyubov Latypova: "'Cut Off From the Ruble'; Russia Is Holding Tajikistan on a Short Credit Leash. Why?"]

[Text] Dushanbe—The question about whether Tajikistan is in the ruble zone arises among journalists at all news conferences on economic questions. A clear-cut answer is never given. And, indeed, how is it to be given... On the one hand, the republic was never driven out of it officially, and, on the other hand, it actually ended up "cut off from the ruble" after July of last year, when Russia, without warning, conducted an exchange of paper banknotes, discarding a billion "old ones" the day before in little Tajikistan, which is fully dependent on the "older brother."

Tajikistan ended up surrounded by states where the "old" money lingered, although it was not in effect. And, they had an almost ideal opportunity to get rid of the "old ones" at a profit to themselves. Despite the prohibitions and the cordons, rubles poured into Tajikistan from all sides, creating an unprecedented spiral of inflation and ratcheting up prices to astronomical heights. Store shelves were emptied instantly, and the products that appeared again cost far more.

This is the way it continued until December, when a natural famine started in the capital, and the government announced a money exchange. The "old money" was collected in bank accounts and frozen, but new ones still did not appear in the republic. The mousetrap snapped shut, and the inflation problem was resolved in several days. Prices began to drop swiftly, and they are still falling, and the problem of hunger turned from the nationwide category to a private category for each individual family. Deprived of savings in an instant, many families were also deprived of wages, which were formally limited to the issuance of R64,000; that is, eight minimum wages.

Without having decided the question of uniting the monetary systems in principle, Russia promised Tajikistan a credit of R120 billion for the payment of wages. It issued half, which did not resolve the problem. Attempts to convert internal republican accounts to clearing accounts will not lead to anything. "Cash" is included in interrepublican accounts. Correspondent accounts of Tajikistan in Russia were closed a year ago. Representatives of departments with bags of money are driving to buy gas-kerosene and other necessities so that life in the republic does not die out completely.

There is more and more talk of late in Tajikistan concerning the introduction of its own transitional money as the only means for protecting financial stability. However, it will hardly be a resolution of the problem, because cash turnover here amounts to not more than 8-10 percent; and, moreover, it is not obligatory to take money out in denominations. It is far more convenient to send a specific amount of some kind of a product abroad, but, since payments do not occur in any case, there is a convenient reason for opening a settlement account and to "put money to work" there, which is being done with success by those enterprises that at least produce something. On the other hand, as much money as you want can be printed, just as, however, it is possible to establish an arbitrary rate with respect to the ruble and the dollar. But, if they will not be a real equivalent of the gross national product, no camouflaged actions will save the economy from a crash. However, both Tajikistan and Russia at present are more concerned about the establishment of a ratio of paper values than about their real substance.

For a little more than two years, national banks attempted to conduct their own credit-financial policy, deriving resources from one bag. Many had to stretch out their hand for money earlier as well, because the budgets

of almost all of the republics were subsidized, and Tajikistan's payments balance under the union structure of economic interrelationships did not leave any hope for quick self-dependence. However, at that time, everyone marched under a single command and did not think about any other. But now Tajikistan, attempting to restrain republic inflation rates, tried to do this owing to low credit rates. When they scaled over 200 in Russia, they did not exceed 20 here. Naturally, the main part of credits was directed, like everywhere, at spending on food. It is understandable that soon the value of money on the territory of Tajikistan and Russia was different, although they formally had one face value.

Tajik economists cite these data: The republic's production is 80 percent tied to the market of the CIS countries. Taking into account the interests of the entire union, gigantic hydropower systems were built and projected, and, on Moscow's instructions, many social questions were decided; for example, the resettlement of populations from "unpromising" mountain villages to valley settlements, which brought more grief than benefit. The mechanical division of the states' property according to physical borders did not remove questions in determining the real share of national wealth on the territory of each of the republics; consequently, it also did not resolve the problem of what part of the former aggregate income each of them could claim. Considering the uncertainty of Russia itself, Tajikistan was left at a crossroad, pondering how to "yield" to another country without losing its dignity in the process.

"To yield" is difficult not only and not so much because the republic, evidently, will not survive alone—and the new states on its borders are emphasizing the independence of the policy being conducted—as much as that there is no one "to yield" to. The Russian leadership is quite content with the vague condition under which Tajikistan can be fed slightly, but at the same time kept on a hunger ration. Because, otherwise, Russia would at least be concerned about how to return the issued credits. It is true that lately both sides have started to say that a return is possible in the form of a share of property of the most promising enterprises of Tajikistan; however, for the time being this is only a political statement and no more.

Abdudzhali Samadov, the republic prime minister, declared the need to restore state control over product distribution, saying that for each producer there are too many spongers. Let us assume that there were always enough of them—even in the best times two-thirds of the republic population did not work for various reasons: Almost half were children, and there were not enough jobs for the others. Now jobs are becoming available owing to people who are leaving, but their structure was in no way calculated for the poorly educated village youths who are now filling the cities. Indeed, these youths, having realized the force of weapons during the war, are not rushing to the lathe, preferring to be among the lumpens, but on the other hand free.

Nevertheless, it is proposed to resolve the unemployment problem owing to new production whose creation requires investments, of course, foreign, but what foreign investor will go to a country (even if everything else is equal) that will control the distribution process?

Out of almost 200 joint enterprises registered in Tajikistan, a little more than one-fourth went into operation. Among these and others, there is not one with the participation of Russian capital, and this once again emphasizes the declaratory nature of the statements of both sides, as well as the vagueness of the strategy and tactics for drawing interests closer together. Obviously, it is most likely that Russian private capital will not work with the state structures of Tajikistan, adhering to a very arbitrary distribution of privileges depending on the direct benefits of those who are granting these privileges.

At the same time, Russia can impart a dynamic to the process of restoring the economy of the country, if it clearly defines not only its military-political, but also its economic, interests. In a word, many economists think that the investment of resources here will fully pay for themselves as early as within two to three years.

UZBEKISTAN

Intergovernmental Council Views Economic Reform Progress

944K1461A Tashkent PRAVDA VOSTOKA in Russian
31 May 94 pp 1-2

[Unattributed article: "The Criterion of Activity Is Purposefulness"]

[Text] The regular meeting of the Intergovernmental Council on Economic Reform, Entrepreneurship, and Foreign Investment under the President of the Republic of Uzbekistan was held in Tashkent on 28 May. The session was chaired by President Islam Karimov.

The purpose of today's meeting, Islam Karimov said in opening the session, is to analyze the course of economic reform in the republic, identify all the obstacles and obstructions on this path, and together look for ways to overcome them.

The participants at the meeting discussed progress in carrying out government decrees on furtherance of economic reforms in agriculture and the development of the individual farmer (dekhkan) system and examined questions of forming a securities market in the republic and problems of organizing the activity of a stock exchange. First deputy prime minister of the republic I. Dzhurabekov, chairman of the State Committee for the Management of State Property and Support of Entrepreneurship V. Chzhena, and deputy finance minister A. Abdukadyrov presented information on these subjects.

Intensive development and reform of agriculture is one of the priority thrusts of economic policy in the republic. Successful implementation of economic reform in the countryside is the foundation of fundamental changes in the entire economy.

Beginning from this, in the last 3 years the government has adopted a series of decrees which outline ways to reform agriculture, fundamentally change production relations and the system of management of agricultural production, and mold market relations.

The decrees "Refining the Reforms in Animal Husbandry and Protecting the Interests of Dekhkan (Farmer) and Privatized Farms" and "Additional Measures to Realize the Economic Reforms in Agriculture" became a program of action for the Council of Ministers of the Republic of Karakalpakstan, the oblast and rayon khokimiyats [administrations], and republic organs in their work to further the reform in agriculture.

This year 176 farms have changed their form of ownership; they have mainly been converted into collective farms, associations, and cooperatives. Since the beginning of the reform 1,148 state farms have been transferred to nongovernmental forms of ownership. Through this measure alone the administrative apparatus was reduced by 7,500 persons, which made it possible to save more than 3 billion rubles [R] on wages alone.

Most of the converted state farms, improving their economic position, have been able to increase the production of output and raise its quality. In Kashkadarya Oblast alone converted state farms produced 4,400 tonnes of grain more than in 1992, 31,400 tonnes more of cotton, 2,100 tonnes more of fruit, vegetables, and grapes, 250 tonnes more of meat, and 1,736 tonnes more of milk.

The administrative apparatus of the Buston Collective Farm, which was formed on the basis of the Kolos Sovkhoz in Shavatskiy Rayon, was reduced by 16 persons. But the annual production of grain there increased by 390 tonnes and cotton production rose by 205 tonnes.

Similar good results have occurred in other oblasts as well.

The process of privatizing loss-making farms by the labor collectives is moving rapidly. Until May of this year 1,053 such farms had been privatized. At the present time there are 9,311 independent dekhkan (farmer) farms operating in the republic, 7,446 of which engage in animal husbandry.

Government assignments for changing the form of ownership of state farms and privatizing loss-making animal husbandry units have been basically fulfilled, except for the Republic of Karakalpakstan and Andizhan and Tashkent oblasts. The Institute of Agricultural Economics of the Uzbek Agricultural Academy of Sciences developed model structures for joint-stock and cooperative farms, associations, and other agricultural enterprises.

In order to improve material-technical supply to the producers of agricultural output 316 specialized stores have been opened and 133 rental-service stations are operating. In addition there are 229 stores that sell seeds and seedlings.

Last year the repayment dates on bank credit for R195 billion were extended to improve the financial position of agricultural enterprises. Repayment of debts by farms which changed their form of ownership in 1993 on bank credit and mutual deliveries of output was extended by 20 years.

Credits of R452 billion were appropriated for conducting spring field work, plus R258 billion for interdepartmental payment accounts.

However, the effectiveness of the economic reforms in agriculture still remains low, it was observed at the meeting. Although the quantitative indicators are seen as good, there are serious shortcomings in the work of the Council of Ministers of the Republic of Karakalpakstan, the oblast and rayon khokimiyats, and the republic ministries and departments.

The assignment to allocate land for dekhkan (farmer) farms was not fulfilled. Instead of 100,000 hectares just 75,600 hectares was allocated for them. This work is going especially poorly in Syrdarya, Kashkadarya, Fergana, Surkhandarya, and Khorezm oblasts.

There are cases where the norms for allocation of land are not fully observed. For example, a dekhkan farm in Navbahorskiy Rayon which keeps 68 head of livestock was allocated just 12 hectares of arable land instead of 30.

Production relations among farms are changing slowly, the rights of the producers of output are sometimes violated, and a mechanism for cooperation between agriculture and the sectors that support its efficient functioning still has not been created.

The problem of improving economic mutual relations among cotton-growing farms and cotton factories and eliminating the disproportions in determining the quantitative and qualitative indicators of the raw cotton remains urgent.

The procurement organizations subordinate to the Ministry of Agriculture and the Uzplodoovoshchvinprom [Uzbek Fruit, Vegetable, and Grape Industry], Uzmyasomolprom [Uzbek Meat and Dairy Industry], and Uzkoopzagotorg [Uzbek Cooperative Procurement and Marketing] concerns often fail to give adequate attention to concluding contracts with dekhkan (farmer) farms and the owners of private subsidiary plots.

The financial position of agricultural producers is becoming more difficult because banking establishments do not allocate timely credit for mutual accounts between procurement organizations and suppliers of agricultural output.

By April of this year unpaid credit owed by farms to banks was R4.1 billion, while the amount unpaid to suppliers of output was R210.8 billion.

It can be concluded from the above that the government decrees on furthering the economic reforms in agriculture are not being entirely fulfilled and that formalism plus administrative and bureaucratic red tape are being permitted.

We still follow flawed practices inherited from the former system, the President said. High levels of government usually receive information from local areas that has been "purged" of everything negative.

If we evaluate the course of the reforms fairly today, their pace and scale, it becomes obvious that agriculture appears in this process to have become a frozen or, to put it differently, a conservative sector.

While the title and form of ownership have changed at many state farms, the farms are not changing fundamentally, Islam Karimov emphasized. The changes in management of agriculture are especially minute; it is as if time has not touched the old, stagnant working style of the leaders in all elements of this sector.

As was observed above, R452 billion was allocated to conduct spring field work. While this money was traveling to the recipients it went through 3-4 stages at the oblast, rayon, and farm. As a result, owing to improper distribution of the credits only 5-6 percent of the expected amount is being returned to the bank. The banks, however, must operate on the bank-cooperative, bank-farmer, and bank-entrepreneur method, that is, give credits only after clarifying the potential for repayment.

One more obstacle in the path of the reforms is the fact that state purchase prices for agricultural output are not free in the full sense of the word. Certain trade organizations and commercial establishments put pressure on output producers: you will sell your commodities at this price, or else you know what will happen. And what is the dekhkan or farmer left to do? If he does not give in the output may spoil, and there is no other purchaser.

Moreover, the heads of highly profitable concerns such as Uzmyasomolprom and Uzplodoovoshchvinprom, which have become monopolies in their sectors, are in no hurry to turn the enterprises subordinate to them into open-type joint-stock companies; they are not thinking about the reforms and the future. Put differently, they do not want to share "their" property with anyone.

From this it can be concluded that until the form of ownership changes in the full sense of the word, until there is a real master, it will be difficult to further the reforms and impossible to mold civilized market relations, the President emphasized. And if that is so, then the Ministry of Agriculture, the Academy of Agricultural Sciences, the State Committee for Management of State Property and Support of Entrepreneurship, and other

interested organizations must work out a mechanism to further the economic reforms in agriculture and put it into practice purposefully and consistently.

It has been decided to form a special commission to monitor effective implementation of the reform in the countryside and fulfillment of presidential edicts and government decrees in this area.

As was observed at the meeting, the basic methods improving and regulating monetary circulation are organizing a securities market and creating the essential conditions for its development, switching to a socially oriented market economy, creating opportunities for broad strata of the population to have ownership shares, and attracting foreign investors.

The fundamentals of development of a securities market were reflected in the Republic of Uzbekistan laws "Securities and the Stock Exchange" and "Economic Societies and Companies."

In conformity with these laws and with the agreement of other ministries and departments, the Ministry of Finance developed a procedure for the first stage of granting certificates for the issue of securities and licenses to produce them. Joint-stock companies were founded on this legal basis, and the process of moving securities was begun.

The primary type of state security today is the 12-percent 1992 State Internal Loan Bond.

As for the securities of joint-stock companies, the market for them is still inadequately developed; at the beginning of May of this year the total volume of securities issued was 131 billion sum-coupons. Uzpromstroybank [Uzbek Industrial Construction Bank] accounts for more than three-quarters of this.

The securities of open-type joint-stock companies are less than 30 percent of the total volume.

The explanation for the very limited stock issues lies in numerous factors: the lack of interest among legal and physical persons in buying and selling them, the large number of closed-type companies, the lack of a full-fledged law-governed mechanism for managing the securities market, the unsolved organizational problems in the activity of stock exchanges and investment institutions, the financial instability of most securities issuers, the lack of reliable guarantees and a clearcut mechanism for payment of dividends, as well as lack of experience in securities issues and advertising.

The 21 January 1994 edict of the President of the Republic of Uzbekistan entitled "Measures To Further the Economic Reforms, Ensure the Protection of Private Property, and Develop Entrepreneurship" and the 15 March 1994 edict entitled "Priority Areas of Further Development of the Process of Destatization and Privatization in the Republic of Uzbekistan" defined the

conditions and directions of implementation of the economic reforms, including the second step in the development of the securities market.

These documents envision that state enterprises will be converted mainly into open-type joint-stock companies which issue securities for the market in the form of stock and thus promote economic reforms in the republic.

This demanded first of all the development of a system of normative legal documents based on laws and appropriate to the new stage of reforms.

For this purpose the Ministry of Finance, the Ministry of Justice, and the State Committee on Property Management along with other interested ministries and departments developed normative documents on creation and regulation of a securities market.

The formation of a securities market and its development are an important condition for an economy based on market relations, the President stressed. Stock will bring the population into ownership and give shareholders a real possibility of influencing the production process and enterprise activity. Furthermore, "surplus" personal money will be drawn into circulation and there will be a lever for slowing inflation.

It became clear from the discussion that was held that despite the Law on Securities and the Stock Exchange which was adopted, many subordinate enactments which make this process orderly still have not been ratified. And we cannot forget here, Islam Karimov said in conclusion, the truth that before cutting once you must measure seven times, for this question involves the people's trust in those who issue the stock. If this trust is lost it cannot be regained. The time has also come to take the stocks of our highly efficient enterprises which have world reputations into well-known foreign stock exchanges, thereby gaining experience and seeking financial means.

At the meeting scientists, bank representatives, and entrepreneurs expressed their views on the questions under discussion.

It was decided to form a special commission attached to the republic Ministry of Finance on formation of a securities market and organizing the activity of the stock exchange.

At the suggestion of President Islam Karimov deputy prime minister of the Republic of Uzbekistan and chairman of the State Committee for Forecasting and Statistics M. Sharifkhodzhaev was included in the membership of the interdepartmental council of economic reform, entrepreneurship, and foreign investment.

Participating in the meeting were E. Khalilov, acting chairman of the Supreme Soviet of the Republic of Uzbekistan, prime minister A. Mutalov, deputy prime ministers U. Sultanov and M. Usmanov, and A. Fazylbekov, khokim of the city of Tashkent.

Law on Taxation of Securities Transactions**Text of Law**

944K0456A Tashkent PRAVDA VOSTOKA in Russian
28 May 94 p 1

[Law of the Republic of Uzbekistan: "Tax on Operations With Securities"]

[Text] Article 1. Securities Transactions and Taxpayers

Operations that are recognized as securities transactions are a taxpayer's actions or intentions that are aimed at the arising of property rights with respect to securities by means of concluding a contract and registering the issuance prospectus.

The payers of the tax on securities transactions are legal entities and individuals carrying out those operations in the established procedure.

Article 2. Objects of Taxation

Objects of taxation in conformity with this Law are the price of the contract and the registration of the issuance prospectus.

Article 3. Tax Rates

The tax on operations with securities is levied in accordance with the following rates:

- on the issuing body when registering the prospectus for the issuance of securities, in the amount of 0.5 percent of the face value of the issue. In the event of refusal to register the issuance prospectus, the tax is not returned;
- on purchasers of state securities, in the amount of 0.1 percent of the total amount of the transaction;
- from each participant in the transaction when concluding a contract for the buying-selling of securities, in the amount of 0.3 percent of the total amount of the transaction.

Article 4. Tax Benefits

The following are not required to pay the tax on operations with securities:

- legal entities and individuals who purchase shares that are being issued for the first time by a joint-stock company from the moment of its state registration;
- legal entities carrying out, in the established procedure, middleman operations with securities at the expense of and on instructions from a client.

Article 5. Computing the Total Amount of the Tax

The taxpayers compute the total amount of the tax independently, on the basis of the actual total amount of the transactions and the appropriate tax rate.

The tax on securities operations that have been carried out in foreign currency is computed in the monetary unit of the Republic of Uzbekistan, on the basis of the officially established rate of exchange as of the date of conducting the operation.

Article 6. Procedure and Deadlines for Paying the Tax

The tax on operations with securities is paid by the payers when registering those operations and within a three-day period is transferred to the republic budget:

- by stock exchanges and stock departments of trading and other exchanges when carrying out the transactions in the stock market;
- by issuing bodies and banking and other institutions, including middleman institutions, carrying out the registration and formalization of non-exchange operations with securities.

When carrying out the initial issuance of securities, the tax in the form of payment for each transaction is levied only on the purchasers of the securities.

The tax on operations with state securities is levied for each transaction only on the purchasers.

Article 7. Payer's Responsibility

For violations in computing and paying the tax, the taxpayers bear responsibility in accordance with the legislation that is in effect.

Article 8. Monitoring the Payment of Tax

Monitoring the completeness and timeliness of the payment of the tax is carried out by tax agencies.

[Signed] I. Karimov, president of the Republic of Uzbekistan

Tashkent, 5 May 1994

Decree on Implementation

944K1456B Tashkent PRAVDA VOSTOKA in Russian
28 May 94 p 1

[Decree of the Supreme Soviet of the Republic of Uzbekistan: "Procedure for Putting Into Effect the Law of the Republic of Uzbekistan, Entitled 'Tax on Operations With Securities'"]

[Text] The Supreme Soviet of the Republic of Uzbekistan decrees:

1. To put into effect the Law of the Republic of Uzbekistan, entitled "Tax on Operations With Securities," effective 1 June 1994.
2. Within a two-month period the Cabinet of Ministers of the Republic of Uzbekistan is:
 - to submit to the Supreme Soviet of the Republic of Uzbekistan proposals for bringing the legislative acts into conformity with Law of the Republic of Uzbekistan, entitled "Tax on Operations With Securities";
 - to bring the governmental decisions into conformity with the Law of the Republic of Uzbekistan, entitled "Tax on Operations With Securities," and to guarantee the re-examination and cancelation by the republic's ministries, state committees, and departments of their normative acts that contradict that Law.
3. To establish that, prior to the bringing of the legislative acts into conformity with the Law of the Republic of Uzbekistan, entitled "Tax on Operations With Securities," the legislation that is in effect is to be applied insofar as it does not contradict that Law.

[Signed] E. Khalilov, acting chairman of the Supreme Soviet of the Republic of Uzbekistan
Tashkent, 5 May 1994

Law on Citizens' Appeals

Text of Law

944K1455A Tashkent PRAVDA VOSTOKA in Russian
28 May 94 p 3

[Text of Republic of Uzbekistan Law "On Citizens' Appeals"]

[Text] This Law establishes the basic provisions defining citizens' right to appeal to state organs, public associations, enterprises, institutions, and organizations, regardless of the forms of ownership, as well as the procedure and time periods for reviewing citizens' appeals.

Article 1. Citizens' Appeals

Citizens of the Republic of Uzbekistan, in participating in managing state and public affairs and realizing the rights and freedoms granted to them by the Constitution of the Republic of Uzbekistan and other laws, have the right to do the following:

- to appeal for protection of their legal rights and interests;

- to have the competent organs of state and public associations restore the violated rights.

Citizens of the Republic of Uzbekistan may appeal on behalf of other persons and organizations.

Appeals may be individual or collective and may be submitted in oral or written form as suggestions, petitions, or complaints.

Citizens' appeals are not subject to review in accordance with this Law if the republic's legislation envisions a different procedure for reviewing them.

Persons without citizenship have the right to appeal in accordance with this Law.

Appeals of citizens of foreign states are reviewed following the procedure established by this Law, unless international treaties and agreements of the Republic of Uzbekistan envision other rules for reviewing them.

Article 2. Demands Made on Appeals

Appeals must indicate the name, patronymic, and surname and information on the citizen's place of residence and must give the essentials of the suggestion, petition, or complaint. Appeals in which this information is not given are considered anonymous and are not subject to review.

Appeals are addressed to a state organ, association, enterprise, institution, organization, or official whose competence includes resolving the questions posed in the appeal, or to deputies of all levels.

Appeals directed to a state organ, public association, enterprise, institution, or organization whose competence includes resolving the questions posed are sent to the appropriate organ or official within no more than 5 days, and the citizen is informed of this.

Appeals submitted following the established procedures are subject to mandatory review. Refusal to accept appeals is prohibited.

If the appeals do not contain the necessary information for sending them to the appropriate organ or official, they are returned to the citizen with an appropriate explanation within the same period of time.

Article 3. Prohibition Against Persecuting Citizens in Connection with Appeals or Forcing Them to Participate in Actions in Defense of Appeals

It is prohibited to persecute citizens and members of their families for making appeals or protecting their rights through appeals.

No one can be forced to participate in defending any appeal.

Article 4. Prohibition Against Divulging Information Made Known in Connection with Reviewing Appeals

In reviewing appeals, employees of state organs, public associations, enterprises, institutions, and organizations are not permitted to divulge information on the personal life of citizens without their consent, information which constitutes a state or other secret protected by law, or other information if it violates the rights and legal

interests of citizens. In addition, information on the individual citizen which is not relevant to the appeal cannot be identified. If the citizen so requests, no information about him can be divulged.

Article 5. Appeals Directed to the Mass Information Media

Citizens' appeals sent to the mass information media are used to study public opinion and treat it in the press.

Citizens' appeals on questions whose resolution is classified as under the jurisdiction of the mass information media are subject to review in accordance with this Law.

Article 6. Review of a Suggestion

Suggestions are citizens' appeals focused on improving the activity of state organs, public associations, enterprises, institutions, and organizations.

A state organ, public association, enterprise, institution, or organization is obliged to review the suggestion thoroughly and at the citizen's request inform him of the result.

Article 7. Review of a Petition

Petitions are appeals requesting realization of citizens' rights and lawful interests.

State organs and public associations and their officials and managers and other officials of enterprises, institutions, and organizations, regardless of the forms of ownership, whose competence includes reviewing the petitions, are obliged to do the following:

- review the petitions thoroughly, objectively, and promptly;

- make decisions based on law and ensure their fulfillment;

- inform citizens of the results of the review of petitions.

The citizen is informed in writing of the refusal to satisfy the demands made in a petition, and the reasons for the refusal are indicated.

A decision made on a petition may be appealed by the citizen following procedures envisioned by Article 8 of this Law.

Article 8. Review of a Complaint

Complaints are appeals demanding the restoration of rights and legal interests of citizens violated by actions or decisions of state organs, public associations, enterprises, institutions, or organizations, regardless of the forms of ownership, or officials.

A complaint against an action or decision of a state organ, public association, enterprise, institution, organization, or official is submitted to the higher-ranking organ in the line of subordination, or to an official, or to the court.

A complaint to a higher-ranking state organ, an organ of a public association, or an official may be submitted no later than 1 year from the moment when the citizen became aware that the action was done or the decision was made by the state organ or organ of the public association. A deadline missed for a valid reason is remedied by the organ reviewing the complaint.

A complaint against the decision of a higher-ranking state organ, public association, or official may be submitted to the court within the period of time established by legislation.

A citizen has the right to submit a complaint personally or to authorize another person to do so.

A complaint in a citizen's interests may be submitted by another person. Complaints in the interests of minors or incompetent persons are submitted by their legal representatives.

Attached to the complaint are the decisions made on his appeal or copies of them which the citizen has, as well as other documents needed to review the complaint.

It is prohibited to send citizens' complaints to those organs or officials whose actions and decisions are being appealed.

Article 9. The Citizen's Rights When a Complaint Is Reviewed

A citizen who has made a complaint to a state organ, public association, enterprise, institution, or organization has the right to do the following:

- to personally state the arguments to the person who is checking the complaint;

- to become familiar with the inspection materials while complying with the requirements of Article 4 of this Law;

- to offer additional materials or to petition to the organ reviewing the complaint that they be demanded and obtained;

- to employ the services of a lawyer or other person;

- to receive a written response on the results of the review of the complaint;

- to demand that damages be reimbursed following procedures established by law.

Article 10. Obligations of State Organs, Public Associations, Enterprises, Institutions, and Organizations in Reviewing Complaints

State organs, public associations, enterprises, institutions, and organizations, regardless of the forms of ownership, and their managers and other officials are obliged within the limits of their competence to do the following:

objectively, thoroughly, and promptly follow up on complaints;

reverse or modify decisions under appeal which do not comply with the law and immediately take steps to stop wrong actions and identify the reasons and conditions which contributed to the violations;

ensure that a citizen's rights are restored and that decisions made in connection with the complaint are really fulfilled;

inform the citizen in writing of the results of the follow-up on the complaint and the essence of the decision made.

The manager or his deputy has the right to make the decision on a complaint in state organs, enterprises, institutions, or organizations, while the elected organs or persons authorized by them do in public associations.

Article 11. The Time Period for Reviewing Suggestions, Petitions, and Complaints

Citizens' suggestions are reviewed within one month from the day they are received, with the exception of those suggestions which require additional study, and the person who submitted the suggestion is informed of this.

Petitions and complaints are decided within 1 month of the day the state organ, public association, enterprise, institution, or organization which is obligated to decide the question on its merits receives them, while those which do not require additional study and checking—no later than 15 days.

In those cases where additional materials must be demanded and obtained or other steps must be taken before the petition or complaint can be decided, the time periods for deciding the petition or complaint may be, as an exception, extended by the manager or deputy manager of the corresponding organ, enterprise, institution, or organization, but not by more than one month, and the person who submitted the petition or complaint must be informed of this. Here the total time for reviewing the appeal cannot exceed two months.

Article 12. Personal Office Hours for Citizens

Deputies of all levels and managers and other officials of state organs, public associations, enterprises, institutions, and organizations, regardless of the forms of ownership, must hold personal office hours for citizens.

The office hours are conducted regularly, during set days and hours, at a time convenient for citizens.

Verbal appeals of citizens and the results of their review must be registered.

The procedure for receiving citizens in state organs, public associations, enterprises, institutions, and organizations is determined by the managers.

Article 13. Responsibility for Violating Legislation on Citizens' Appeals

Wrongful refusal to review an appeal, violation of the time periods for reviewing appeals without valid reasons, adoption of unsubstantiated decisions which contradict the law, divulging of personal information, or other violations of legislation on citizens' appeals entail disciplinary responsibility of officials following procedures established by legislation, unless these actions entail administrative or criminal responsibility.

Persecuting a citizen in connection with his appeal to a state organ, public association, enterprise, institution, or organization or for criticism contained in the appeal, as well as violations of legislation on citizens' appeals which have done substantial harm to state or public interests or the rights of citizens protected by law entail criminal responsibility of the guilty persons in accordance with legislation.

Article 14. Reimbursement of Damages to a Citizen in Connection with a Violation of the Requirements of the Law During the Review of His Complaint

In the event the complaint is satisfied, the state organ, public association, enterprise, institution, or organization or the official who made the wrong decision on the citizen's appeal reimburses the material damage done to the citizen in connection with the submission and review of the complaint and the expenditures incurred in connection with travel for review of the complaint at the demand of the corresponding organ, and the earnings lost during this time. Disputes on the collection of expenditures are reviewed in a judicial proceeding.

Article 15. Responsibility for Submitting Appeals of an Illegal Nature

Submission by a citizen of an appeal which contains slander or criminal insult or calls that incite national dissension and other actions punishable on a criminal basis entails the responsibility established by law.

Article 16. Reimbursement of Expenditures To Check on Appeals Containing Deliberately False Information

Expenditures incurred by a state organ, public association, enterprise, institution, or organization in connection with verifying reports containing deliberately false information may be collected from the citizen by the court's ruling.

Article 17. Monitoring of Compliance with Requirements of Legislation on Citizens' Appeals

The organs of state power as well as ministries, state committees, and departments provide monitoring of compliance with the requirements of legislation on citizens' appeals in relation to enterprises, institutions, and organizations subordinate to them.

Article 18. Procurator Supervision of Compliance with Legislation on Citizens' Appeals

Supervision of compliance with legislation on citizens' appeals is provided by the General Procurator of the Republic of Uzbekistan and the procurators subordinate to him. In accordance with the powers granted to them, they take measures to restore the rights violated, protect citizens' legal interests, and bring violators to responsibility.

President of the Republic of Uzbekistan, I. Karimov

City of Tashkent 6 May 1994

Decree on Implementation

944K1455B Tashkent PRAVDA VOSTOKA in Russian
28 May 94 p 3

[Text of Republic of Uzbekistan Supreme Soviet Decree "On Putting the Republic of Uzbekistan Law 'On Citizens' Appeals' Into Effect"]

[Text] The Republic of Uzbekistan Supreme Soviet decrees the following:

1. Put the Republic of Uzbekistan Law "On Citizens' Appeals" into effect the day it is published.
2. The Republic of Uzbekistan Cabinet of Ministers must bring the government's decisions into line with the Law "On Citizens' Appeals" and ensure revision and repeal by the republic's ministries, state committees, and departments of their normative enactments which contradict this Law.

Acting chairman of the Republic of Uzbekistan Supreme Soviet, E. Khalilov

City of Tashkent 6 May 1994

Law on Guarantee of Citizens' Voter Rights

944K1453A Tashkent PRAVDA VOSTOKA in Russian
26 May 94 p 4

[Law of the Republic of Uzbekistan: "Guarantees of the Citizens' Voter Rights"]

[Text] **Article 1.** The citizens of the Republic of Uzbekistan have the right to participate in the administration of the affairs of society and the state both directly and through their representatives. This right is carried out by means of the citizens' participation in referendums and elections of the President of the Republic of Uzbekistan and of the representative agencies of authority.

Article 2. The electoral rights of the citizens of the Republic of Uzbekistan which have been firmly established by the Constitution, this Law, and other legislative acts are under the protection of the state.

Article 3. The citizens of the Republic of Uzbekistan, irrespective of their origin, social or property status, race or nationality, sex, education, language, attitude toward religion, or type or nature of their occupation, possess an equal electoral right.

Article 4. Citizens of the Republic of Uzbekistan have the right to elect others or to be elected themselves.

The right to elect others is enjoyed by citizens of the Republic of Uzbekistan who have reached the age of 18 years. Each citizen-voter has one vote.

The right to be elected President of the Republic of Uzbekistan is enjoyed by citizens of the Republic of Uzbekistan who are no younger than 35 years.

The right to be elected to the Oliy Mazhlis of the Republic of Uzbekistan is enjoyed by citizens of the Republic of Uzbekistan who have reached the age of 25 years by the day of election. The right to be elected to local representative agencies is enjoyed by citizens of the Republic of Uzbekistan who have reached the age of 21 years by the day of election.

Article 5. No direct or indirect limitation of the voting rights of citizens is allowed, with the exception of requirements that have been established by legislative acts governing elections.

Article 6. Voters, irrespective of where they are located, are guaranteed the right to participate directly in referendums and elections of the President of the Republic of Uzbekistan and representative agencies of authority.

Article 7. Voters have the right to freedom to express their will and to cast a secret vote. Precinct electoral commissions, by organizing the voting in areas that have been specially set aside, guarantee the citizens the free and secret expression of their will.

Monitoring of the expression of the voters' will is not allowed.

Article 8. Citizens of the Republic of Uzbekistan who, by or on the day of election, have reached the age of 18 years and who are permanently or temporarily residing on the territory of the appropriate electoral precinct have the right to be included in the voting list.

Each voter can be included in only one voting list.

Article 9. Voters are guaranteed the opportunity to become acquainted ahead of time with the voting list in the precinct electoral commission area.

Article 10. The voter has the right to apply to the precinct electoral commission concerning an error or inaccuracy in the voting list. Within 24 hours the precinct electoral commission is required to verify the statement and

either to eliminate the error or to issue to the applicant an official statement concerning the reason for rejecting the application.

Article 11. A voter who for any reason has not been included promptly in the voting list can be included in the list by the precinct electoral commission on the basis of a document attesting to the citizen's identity, citizenship, and place of residence.

Article 12. Voters have the right to demonstrate for or against the decisions that have been put to a nationwide vote, and for or against candidates for the presidency of the Republic of Uzbekistan and candidates for election to the representative agencies of authority.

Voters are guaranteed the right to carry out their own public actions in the form of rallies, meetings, and demonstrations in conformity with legislation of the Republic of Uzbekistan.

Article 13. In order to conduct pre-election meetings, the agencies of state authority are required to provide the voters with equipped areas and with necessary reference and informational materials. The time and place of conducting the gatherings and meetings are reported ahead of time to the voters.

Article 14. The entire election campaign is constructed on the basis of broad publicity. Each voter has the right, in the course of the election process, to seek, obtain, and disseminate information pertaining to the formation of the electoral districts and precincts, the makeup of the electoral commissions, the location and working hours of the commissions, and the results of the registration of the candidates for election as deputies, the voting, and the election.

The decisions of the appropriate electoral commissions concerning the formation of electoral districts and precincts, the makeup of the electoral commissions, and the results of the registration of candidates for election as deputies, the voting, and the election are published in the press.

Article 15. The voters have the right to become acquainted with the platform for the future actions of the political parties and individual candidates participating in the election.

Article 16. Citizens of the Republic of Uzbekistan who possess the voting right and who are not members of any political party, candidates for election as deputies, or their authorized agents, can be members of electoral commissions.

Article 17. On the election day the voters are guaranteed the right to exchange a spoiled ballot for a new one. The ballot is exchanged by the appropriate precinct electoral commission.

Article 18. Voters who do not have the opportunity on the election day to be at the place of their residence have the right to vote ahead of time.

The appropriate precinct electoral commission, at the voters' request, issues voter sheets of an established form, with an indication of the appropriate information concerning the candidates for election as deputy. The voters can leave the completed voter sheet in a sealed envelope with one of the members of the electoral commission.

Article 19. Voters who do not have the opportunity to go to the voting area because of health or other reasons have the right to make a request to the appropriate precinct electoral commission, which is required to organize a voting where those voters are staying.

Article 20. Each citizen of the Republic of Uzbekistan is guaranteed court protection of his voting rights and the opportunity to lodge a complaint in court against the illegal actions of electoral commissions, state agencies, officials, or public associations.

Article 21. Hindrance, by means of coercion, deception, threats, or other means, to the carrying out by citizens of their right to elect and to be elected, to participate in a referendum, or to participate in electioneering; or the forging of documents, the premeditated incorrect tallying of votes, or the commission of other violations of laws governing a referendum, the election of the President, or elections to the representative agencies of authority entail responsibility in conformity with the laws of the Republic of Uzbekistan.

[Signed] I. Karimov, president of the Republic of Uzbekistan
Tashkent, 5 May 1994

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated, those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes. China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.

**END OF
FICHE
DATE FILMED**

22 August 1994